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COMMODITY AVAILABILITY FOR FOOD DISTRIBUTION PROGRAMS

JOINT HEARING

BEFORE THE

SUBCOMMITTEE ON AGRICULTURAL PRODUCTION AND STABILIZATION OF PRICES

AND THE

SUBCOMMITTEE ON NUTRITION AND INVESTIGATIONS

OF THE

COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY UNITED STATES SENATE

ONE HUNDREDTH CONGRESS

SECOND SESSION

ON

THE AVAILABILITY OF COMMODITIES FOR DISTRIBUTION TO FOOD ASSISTANCE PROGRAMS

MAY 10, 1988

Printed for the use of the Committee on Agriculture, Nutrition, and Forestry

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CONTENTS

COMMODITY AVAILABILITY FOR FOOD DISTRIBUTION PROGRAMS

Page

Joint hearing held on: May 10, 1988 1

SUBCOMMITTEE ON AGRICULTURAL PRODUCTION AND STABILIZATION OF PRICES

AND THE

SUBCOMMITTEE ON NUTRITION AND INVESTIGATIONS

Melcher, Hon. John, a U.S. Senator from Montana, opening statement 1
Harkin, Hon. Tom, a U.S. Senator from Iowa, opening statement 2
Prepared statement 3
Boschwitz, Hon. Rudy, a U.S. Senator from Minnesota 3
Bond, Hon. Christopher S. "Kit", a U.S. Senator from Missouri 4
McConnell, Hon. Mitch, a U.S. Senator from Kentucky, prepared statement 6

CHRONOLOGICAL LIST OF WITNESSES

Bode, John W., Assistant Secretary for Food and Consumer Services, Department of Agriculture, accompanied by Robert H. Sindt, Agricultural Stabilization and Conservation Service, Assistant Deputy Administrator, Commodity Operations; Mary T. Chambliss, Foreign Agricultural Service, Export Credits, Director, Program Analysis Division 7
Prepared statement 10
Harkin, Tom, chairman, Subcommittee on Nutrition and Investigations, letter of, dated June 21, 1988 15
Questions submitted for Secretary Bode:
Hunger questions 16
Surplus wheat, corn and dairy 17
Other programs, such as school lunch 18
The sale of dairy products overseas 19
Letter, dated August 23, 1988, to Hon. Tom Harkin 20
Responses submitted to questions:
Hunger response 21
Other programs, such as school lunch response 28
Surplus wheat, corn and dairy response 34
Dairy questions and response 37
The sale of dairy products overseas response 39
Response concerning tilt 47, 100
Nolan, James, Chief, Intergovernmental Human Services Bureau, Montana Department of Social and Rehabilitation Services, Helena, MT 56
Prepared statement 59
Harkin, Tom, chairman, Subcommittee on Nutrition and Investigations, letter of, dated June 21, 1988 63
Questions for Jim Nolan (Montana) 64
Letter, dated July 22, 1988, to Senator Tom Harkin 65
Responses to questions 66
Armstrong, William A., director, commodity distribution bureau, State of Iowa department of human services and chief, support services bureau, Iowa department of human services 67
Prepared statement 70

Page

Armstrong, William A., director, commodity distribution bureau, State of Iowa department of human services and chief, support services bureau, Iowa department of human services—Continued
Harkin, Hon. Tom, chairman, Subcommittee on Nutrition and Investigations, letter of, dated June 21, 1988, additional questions 73
Questions for Bill Armstrong 74
Letter of, dated July 8, 1988, responses to the questions, transmitted in two lists, have been consolidated into a single list and renumbered 76
Varn, Richard J., State senator, district 27, and James Riordan, State senator, district 45, letter of, dated February 24, 1988, to Hon. Tom Harkin, encouraging and promoting farmer's markets in Iowa 81
Valley, Camille A., agricultural diversification, administrator, letter of, dated March 11, 1988, to Bob Andros, recommended modifications with respect to H.R. 3879 82
Enclosures to March 11, 1988, letter, comments with respect to the Kerry bill, S. 2043 84
Draft copy of S. 2475 86

COMMODITY AVAILABILITY FOR FOOD DISTRIBUTION PROGRAMS

TUESDAY, MAY 10, 1988

U.S. SENATE, SUBCOMMITTEE ON AGRICULTURAL PRODUCTION AND STABILIZATION OF PRICES AND THE SUBCOMMITTEE ON NUTRITION AND INVESTIGATIONS OF THE COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY,
Washington, DC.

The subcommittees met, pursuant to notice, at 10:11 a.m., in room SR-332, Russell Senate Office Building, Hon. John Melcher (chairman of the Subcommittee on Agricultural Production and Stabilization of Prices) presiding. Hon. Tom Harkin (chairman of the Subcommittee on Nutrition and Investigations).

Present or submitting a statement: Senators Melcher, Harkin, Conrad, Boschwitz, McConnell, and Bond.

STATEMENT OF HON. JOHN MELCHER, A U.S. SENATOR FROM MONTANA

Senator MELCHER. The subcommittees will come to order.

This morning, we are holding a joint hearing of two subcommittees, the Subcommittee on Agricultural Production and Stabilization of Prices and the Subcommittee on Nutrition and Investigations.

The reason we are holding this hearing jointly is to emphasize the importance of commodity distribution programs such as the Temporary Emergency Food Assistance Program [TEFAP], school lunches, senior citizen centers, and food banks. We want to emphasize not only their importance, but also emphasize the changing situation where we do not have as much in surplus commodities this year as we had in previous years. So we will have to make some adjustments.

We have plenty of wheat and corn, which we make into flour and cornmeal, but there is not that much available in dairy supplies and rice and honey, which had been available last year and several years before that.

I think it is also appropriate that we emphasize reauthorization of TEFAP and perhaps make some changes in it to make commodities available to the maximum extent possible. One of the things that perhaps we should do is amend the section in the Food Security Act of 1985 that requires 150,000 metric tons of dairy products be saved for export. I think that priority should be changed so that we can make more of the dairy products that are now in CCC hands available for TEFAP.

There are other points we ought to consider when we reauthorize TEFAP, and we hope that the joint subcommittee hearing will make it possible for us to have a good input in shaping up a good bill to be enacted during the next 30 to 60 days.

Senator Harkin, do you have any comments?

STATEMENT OF HON. TOM HARKIN, A U.S. SENATOR FROM IOWA

Senator HARKIN. Mr. Chairman, thank you very much. I want to compliment you for holding this hearing and for your longtime interest in, and support of, the food support programs that we have in this country, and especially your support of and interest in the TEFAP Program.

It was Senator Melcher who first started pointing out that we were running out of these commodities and that people really relied on them. I think a lot of people thought of TEFAP, the Temporary Emergency Food Assistance Program—as temporary and emergency, and perhaps that the "emergency" and the "temporary" had passed by, thus allowing the program to be discontinued.

But as we have found out through hearings and through my own personal experience of having worked at food centers in Iowa and here in Washington, there are many people who do not get food stamps. Well, they get food stamps and they run out; you know, the third week of the month they run out and they have a week there, or so, that they do not get the food stamps. The food stamps are inadequate.

A figure that I am still trying to come to grips with is that only 60 percent of those living in poverty in the United States receive food stamps. I still do not understand why that is. Millions of Americans get TEFAP when their food stamps run out, and the maximum benefit right now for food stamps is 81 cents per meal.

There are other anomalies. In the dairy program, for example, the USDA tell us they are going to cut the price supports. They have done so for dairy; but at the same time they tell us we are running out of commodities. I do not understand how that could possibly be. If we are running out of commodities, that means that they should not have to cut the price support because the Government removal would not be as much. So I do not understand why that is happening out there. I still have not had a satisfactory answer to that.

But, basically, I am concerned about an attitude of the Secretary of Agriculture. I will just read from the transcript of March 22 before our full committee. Chairman Leahy was presiding and he had talked about the Food Stamp Program. Secretary Lyng responded with a quite lengthy answer, and much of what he had to say was right on point. But he said at the end of his statement, and I quote, "But in the meantime I would like to defend the Food Stamp Program as being one that, in a massive way, does make poverty-caused hunger in the United States virtually nonexistent."

When I hear a statement like that, I have got to wonder where someone's head is. Poverty-based hunger is virtually nonexistent? When you see long lines of people as I did, in the middle of the winter waiting for TEFAP commodities and you check their records and you see that many of them are on Social Security, get-

ting maybe a couple hundred dollars a month, and maybe they're getting food stamps, but their food stamps run out, you know that poverty-based hunger is not virtually nonexistent. There is a lot of it out there. They may not be starving. You may not see people with their ribs sticking out, but they are hungry nonetheless because they do not get adequate nutrition on a day-to-day basis.

Mr. Chairman, I congratulate you for calling this hearing together to find out what we can do to keep these commodities going and to fill in that gap. We are going to be changing the Food Stamp Program somewhat, but in the meantime we have to fill in that gap that is out there.

Again, thank you, Mr. Chairman, and I apologize for having to leave. Secretary Bennett is down at another committee, but I will try to get back here as soon as I can.

Senator MELCHER. Thank you, Senator Harkin.

Senator HARKIN. I would just like to ask unanimous consent that my prepared statement be made a part of the record.

Senator MELCHER. Yes. Without objection, your statement will be made part of the record.

[The prepared statement of Senator Harkin follows:]

PREPARED STATEMENT OF HON. TOM HARKIN, A U.S. SENATOR FROM IOWA

OPENING STATEMENT BY SENATOR HARKIN, JOINT SUBCOMMITTEE HEARING, MAY 10, 1988

I look forward with great interest to today's joint hearing before the Subcommittee on Agricultural Production and Stabilization of Prices and the Subcommittee on Nutrition and Investigations. This hearing should provide a good opportunity to explore and discuss important and urgent issues concerning the distribution of commodities to meet the needs of hungry Americans.

Statistics on poverty and hunger in the United States are often cited. It is important, however, briefly to review these statistics in order to appreciate the magnitude and the gravity of the problems that we consider today. In 1986, the Census Bureau reported that 32 million Americans lived in poverty—3 million more than in 1980. Nearly 13 million children were among the poor. About 85 percent of our Nation's poor are women, children, handicapped or elderly. And the chasm between the comfortable and the poor continues to grow wider and deeper.

Beyond these statistics, I have also observed first-hand the pervasiveness of the problem of poverty and hunger through my travels in my State of Iowa and the Nation. In addition, I have conducted several hearings in the past year on hunger in our country. One conclusion has come through to me very clearly: the distribution of commodities through the Temporary Emergency Food Assistance Program (TEFAP) has been, and continues to be, an extraordinarily effective and efficient method of helping to alleviate hunger among our citizens.

In 1986, 15 million Americans received TEFAP commodities. The demand and need for these commodities is evidenced by the long lines of elderly, homeless, women and children who wait to receive these commodities. These commodities help people who cannot qualify or participate in other food assistance programs. Only 60 percent of those living in poverty receive food stamps. Moreover, millions of Americans rely on TEFAP commodities when their food stamps or other benefits run out. The maximum food stamp benefit, for example, is only 81 cents per meal.

Now we are informed that TEFAP is running out of commodities for distribution. We are here today to learn why this has happened and what we can do to continue to help meet the needs of those who have come to rely on TEFAP commodities.

Senator MELCHER. Senator Boschwitz.

STATEMENT OF HON. RUDY BOSCHWITZ, A U.S. SENATOR FROM MINNESOTA

Senator BOSCHWITZ. I am pleased, too, that you are holding these hearings, Senator Melcher, and I am anxious to hear how we work

out the current shortages of some of these commodities and whether if we begin with cheese purchases we are going to affect the consumer price of these commodities or we are going to affect the market, and if somebody has made an assessment of what the impact will be.

It is something of an anomaly, as the Senator from Iowa points out, that we do not have the commodities and at the same time we lower the price because there is an anticipation, at least, that the CCC is going to remove 8.6 billion pounds of milk this year.

On the basis of that CCC purchase projection, USDA was required to lower the price, much to the dismay of our guys in the Middle West—also, Montana, I might say—which are in marketing orders where we are affected the most, and Missouri not far behind them, I might say.

I am interested in hearing the testimony this morning, how purchases might bear on supply and demand, and so forth, and how we can help people who do need the help. The TEFAP Program has been a successful one. It is indeed an emergency type of Federal program that was predicated on surpluses, and so we ought to make a cautious judgment on whether or not it should be continued and what the impact of continuation would be on hunger.

Thanks, Mr. Chairman.

Senator MELCHER. Thank you, Senator.

Senator Bond do you have a statement?

STATEMENT OF HON. CHRISTOPHER S. "KIT" BOND, A U.S. SENATOR FROM MISSOURI

Senator BOND. Thank you, Mr. Chairman.

I join with the distinguished chairman and Senator Boschwitz in recognizing that we all have an interest in addressing hunger in America. We are acutely aware of the statutorily mandated reduction of surplus commodities available through our domestic programs, specifically through the Food Security Act of 1985.

The Temporary Emergency Food Assistance Program had the dual purpose of helping our Nation's farmers by decreasing excessive Government supplies of agricultural commodities while temporarily addressing our Nation's hunger crisis. Congress did not in this measure address solely the hunger crisis.

I think this is an opportune time for Congress and for the Federal Government to reorganize their efforts toward a long-term solution to hunger through the expansion of federally administered programs like food stamps and WIC. I think it is very important.

In my State of Missouri, TEFAP has also provided opportunities for many charitable community organizations to distribute surplus commodities in conjunction with other food products from grocery warehouses, restaurants, churches, and other organizations willing to help eradicate hunger problems in their communities.

Referred to as the Harvesters Community Food Network, this program bolsters the existing combination of food banks and it is a unique private agency-public food stamp coordination project which reaches the growing hunger needs in both rural and urban Missouri.

It is through creative efforts such as these that our State has been successful in providing a nutritionally balanced diet to our hungry. However, in this and any other programs, we cannot and do not claim a hundred percent success and realize that we have to do a better job.

I am very supportive of TEFAP's original dual purpose of reducing Government stocks and temporarily providing assistance to those persons who have somehow fallen through the cracks of the administration of these programs.

It is appropriate for us to use this lesson which TEFAP has provided to revamp our existing food distribution programs, including food stamps and WIC. We must ensure that programs such as Harvesters, food banks, and other outreach organizations develop additional avenues in our communities to help eradicate hunger in America.

The Food Security Act of 1985 has successfully reduced Government stocks of agricultural commodities. Now, I think we have an opportunity and an obligation to work not only with governmental entities, but with private organizations to expand and/or refocus our efforts to provide for a compassionate outreach which continues to be necessary in meeting the needs of the hungry. We must do so in a way that is the most effective and efficient in delivering the food that is needed to those who are hungry.

Thank you, Mr. Chairman.

Senator HARKIN. If the distinguished Senator would yield just for a point, I like that idea of the Harvesters Community Food Network.

Senator BOND. Harvesters. We have done a number of things. I do not know how many other States have done it, but we have adopted laws to make it easier to provide some protection for grocery warehouses, food producers, to turn over food supplies to these community organizations where the food is wholesale, but perhaps something is wrong with the label.

Stocks that could not be sold but can still be used can be distributed through these outreach organizations, and we have developed a tremendous initiative. Although the Government supports it, it is really the private sector—the agencies that one normally thinks of in this area—Salvation Army, Red Cross, and others—working together with churches in the Harvesters food bank.

I can tell you that they have made tremendous progress, and I have found it to be far more effective than any particular Government program because it does address those who fall between the cracks and for some reason either run out, are not eligible, or have not applied for food stamps.

While I am sure other States have excellent programs, I would invite continued attention to what we have done in Missouri as a very successful and a progressive effort.

Senator HARKIN. We have a similar thing in Iowa like that where farmers get together and they donate meat and they have a butcher shop that butchers it and they supplement the TEFAP Program with that. That is why it caught my attention when you said that.

Senator BOND. We found a tremendous stock of food supplies in grocery chains, restaurants, and others that would be thrown away

that can safely and appropriately be distributed through the Harvesters food bank.

Senator MELCHER. Thank you, Senator.

We have a statement from Senator McConnell which we will insert into the record.

[The prepared statement of Senator McConnell follows:]

PREPARED STATEMENT OF HON. MITCH MCCONNELL, A U.S. SENATOR FROM KENTUCKY

HEARING ON COMMODITY AVAILABILITY FOR FOOD DISTRIBUTION PROGRAMS, MAY 10, 1988

Mr. Chairman: I would like to begin by commending the Distinguished Chairman for calling this hearing to review the availability of commodities for distribution to food assistance programs. I am anxious to be updated on the status of our commodity stocks and the efforts that are being made to distribute remaining surpluses.

The status of our domestic food programs and our efforts to combat hunger in America have become priority issues for this Committee to address the needs of the indigent and homeless of our nation. The Budget Committee also recognized these needs and included $500 million in entitlement funds for additional nutritional assistance in the coming year. Now our task is to ensure that these funds are used to benefit the segments of our population at greatest nutritional risk.

There seems to be a great deal of interest and support for the continuance of the Temporary Emergency Food Assistance Program (TEFAP). Since its inception, TEFAP has proved to be successful in both providing nutritional assistance to the needy and reducing surplus agricultural commodities. As the need for supplementing the nutritional resources of low-income households has become more prominent, the depletion of surplus stocks has greatly reduced the commodities previously available for distribution under TEFAP. Many Kentuckians have contacted me to indicate that they will certainly miss their primary protein source formerly supplied by government cheese. Proposals to purchase foods that are easily prepared and high in protein would continue this worthy food distribution program and warrant our attention.

As we review program alternatives, I would emphasize the close relationship these commodity programs share with our farm price support programs and the Commodity Credit Corporation. This correlation should be considered to ensure that the best interests of each program are protected. I would note, however, that I think it is a mistake to implement farm program policy changes through changes in nutrition policy.

As I have stated before, our food programs must be effective in reaching a maximum number of low-income families with nutritional assistance. In order to carry out this mandate, we must first determine the priorities for our nutrition programs. Likewise the manner in which this additional entitlement funding is appropriated should reflect these priorities. Once priorities are determined, we can begin to target assistance to nutritionally deficient groups.

I look forward to this hearing today and our further discussions as we work to formulate a plan of direction in response to the nutritional needs of our nation.

I thank the Chair.

Senator MELCHER. Our first witness is John Bode, who is the Assistant Secretary for Food and Consumer Services from the Department of Agriculture.

I think it is obvious that there are two facets to this question of commodity distribution. First, of course, is: do people need it and will it help them nutritionally and will it satisfy some hunger? That comes first, but also a question is: what are we doing with all this surplus we have and are we getting it out to people who can use it?

A year-and-a-half ago—I think I told John Bode this, and I certainly told Secretary Lyng about it—Montana had so much grain that it was being stored on the ground. I went to the commodity distribution centers and asked where is the wheat? Where is the flour?

Flour was being distributed only every other month, and when it was distributed they said take your choice between flour or dry powdered milk. That was ridiculous because the grain that made flour was being stored on the ground. Most of the grain that was stored on the ground in Montana is wheat; some barley, also, but it was wheat, primarily. You could not even put it in proper storage. Yet, it was not available in the TEFAP Program.

Assistant Secretary John Bode said it was not his fault; it was somebody else's fault. I asked Secretary Lyng whose fault it was and he said it must be just something that happened in Montana, meaning, I guess, that we were not capable of applying at the right time or something.

But when I asked other Senators, I found that there are other States that had difficulty getting supplies of flour or cornmeal. To some extent, that has been taken care of. I still am sensitive to that, however, Mr. Bode.

If you want to summarize your statement perhaps you can tell us how you can work with these States to make sure that they always have plenty of flour and cornmeal. Those are two commodities that we still have in storage. We will try to work out something on the dairy supply, perhaps taking some of the 150,000 metric tons earmarked for export and making it available for TEFAP. I think I have discussed that with you and some others in the Department and you may want to comment on that directly.

Mr. BODE. Yes, sir.

Senator MELCHER. Please proceed.

STATEMENT OF JOHN W. BODE, ASSISTANT SECRETARY FOR FOOD AND CONSUMER SERVICES, DEPARTMENT OF AGRICULTURE, ACCOMPANIED BY ROBERT H. SINDT, AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE, ASSISTANT DEPUTY ADMINISTRATOR, COMMODITY OPERATIONS; AND MARY T. CHAMBLISS, FOREIGN AGRICULTURAL SERVICE, EXPORT CREDITS, DIRECTOR, PROGRAM ANALYSIS DIVISION

Mr. BODE. In summarizing my testimony, I want to thank you for the opportunity to be here today. It was a pleasure also to work with you on the flour matter you referred to earlier, and I was pleased that we were able to work together and seemed to have straightened that out.

We appreciate the opportunity to address those specific concerns as they come up and are pleased to work with you as well as the States. I think many of the States are working very hard to do a good job and we sometimes place them in difficult situations because we have no choice, and eventually by working together we can get things worked through.

With me today is Mr. Robert Sindt from the Agricultural Stabilization and Conservation Service, and Ms. Mary Chambliss from the Foreign Agriculture Service. They are here to assist me in answering your questions, particularly those outside of my area of responsibility.

In summarizing, of course, the Temporary Emergency Food Assistance Program started in 1981 when President Reagan used some discretionary authority he had to begin distributions of

cheese. That program was eventually expanded to include a number of other commodities, and Congress acted and formalized that procedure with the Temporary Emergency Food Assistance Program.

Eventually, we distributed butter, cheese, nonfat dry milk, flour, cornmeal, honey, and rice. Of course, our stocks now, because of changes in price support legislation as well as a very aggressive level of distribution, have depleted some of the commodities that we have been distributing, most notably cheese.

My prepared testimony goes through and explains the reductions in stocks of cheese and nonfat dry milk. We still have some significant stocks of butter, but the stocks of butter as well have declined significantly. Rice and honey stocks have also been depleted to such an extent that they, too, no longer can be distributed through the Temporary Emergency Food Assistance Program. Corn and wheat, as you mentioned, are in sufficient stocks that we intend for the foreseeable future to continue to distribute cornmeal and wheat flour.

OVERSEAS USE OF COMMODITY CREDIT CORPORATION STOCKS

I would like to note overseas use of Commodity Credit Corporation stocks because there seems to have been some significant misunderstanding about where we stand with these overseas distributions.

There are several overseas uses of CCC stocks, especially dairy products. The Food Security Act of 1985 mandated that CCC sell for export at least 150,000 metric tons of dairy products in each of the fiscal years 1986, 1987 and 1988, if such sales will neither interfere with usual U.S. marketings nor disrupt world prices of agricultural commodities and normal patterns of commercial trade. This was done in fiscal years 1986 and 1987, and we have substantially complied with that in fiscal year 1988.

In addition, the Food Security Act of 1985 amended the Agricultural Act of 1949 (1949 act) to provide that the Secretary should, to the extent that the uncommitted stocks are available, make 150,000 metric tons of dairy products available in each fiscal year for foreign use under section 416(b) of the 1949 act. This was done during fiscal years 1986 and 1987 when we had a lot more of the dairy products. But, due to the successful reduction of CCC's dairy stocks, these products were not made available this fiscal year. The Secretary determined that 2.55 million tons of grains and oilseeds would be available for the overseas donation program under section 416(b) during fiscal year 1988.

We have continued to make available CCC dairy stocks, primarily nonfat dry milk, in the Public Law 480, title II, donations program for needy people overseas. This year, we expect to ship about 125,000 metric tons of powdered milk under title II. Use of CCC milk in title II is usually about 130 to 150,000 tons, although in 1984-85, use reached almost 180,000 tons, due to emergency needs in Africa.

DOMESTIC PROGRAM PRIORITIES

My testimony also includes an itemization of our plans for allocation of bonus commodities for various other domestic food assistance programs, most significant among them the school lunch program and charitable institutions. In essence, it is a restatement of what our tentative plans, as communicated to the committee, were and then were refined after getting some informal comments from interested groups.

Basically, it reflects a very strong level of bonus commodities being provided to the schools and charitable institutions and other programs. However, we do not expect to continue to provide them all they can use without waste, as we have at times in the recent past, and had to do some tailoring of our distribution plans because of that. Still, there will be a very high level of bonus commodity distributions.

That is a summary of my testimony. I, of course, would be delighted to try to answer any questions that the committee has.

[The prepared statement, letter, with questions and responses of Mr. Bode follow:]

STATEMENT OF JOHN W. BODE, ASSISTANT SECRETARY, FOOD AND CONSUMER SERVICES, UNITED STATES DEPARTMENT OF AGRICULTURE

Thank you for inviting the Administration to testify at this hearing on the availability of surplus commodities for donation to domestic food assistance programs. The U.S. Department of Agriculture (USDA) has kept the Congress fully informed of the commodity situation over the past six months. USDA staff has met on numerous occasions with staff of the Senate Agriculture Committee to discuss this issue, and we have fully responded to every question posed to us by the Committee staff. I am pleased to have with me today to discuss inventory levels and distribution plans Mr. Robert Sindt of the Agricultural Stabilization and Conservation Service.

Commodity Programs

A review of commodity donation programs begins with the supply of commodities held in the inventories of the Commodity Credit Corporation (CCC) that are available for domestic donation. CCC acquires and holds agriculture commodities through the operation of various price support programs. Price support programs exist for the following commodities: cotton, rice, honey, tobacco, sugar, wool and mohair, peanuts, wheat, corn, rye, barley, grain sorghum, oats, and dairy products. As a result of CCC acquisitions under the price support programs, surplus stocks of the following seven items have been available for domestic feeding programs the last several years: butter, cheese, nonfat dry milk, flour, cornmeal, honey and rice.

I would like to focus specifically on CCC's inventory of dairy products. The current level of CCC's inventory of dairy products represents a success story from the standpoint of the dairy price support program. A dairy price support level that was too attractive to producers resulted in excessive production through the late 1970's and early 1980's. The excess production led to tremendously large surpluses of dairy products, which were acquired by CCC under the dairy price support program. The surpluses resulted in excessive expenditures by CCC and necessitated accelerated dispositions of dairy products. Expansion of distributions occurred through traditional foreign and domestic programs. In addition, in late 1981, President Reagan initiated the commodity distributions for household use that we now know as the Temporary Emergency Food Assistance Program.

In an effort to reduce governmental costs and to achieve a better supply and demand balance in the dairy price support program, Congress and the Administration have adopted several different initiatives since 1981. Statutorily mandated reductions in the level of price support, the Dairy Termination Program, and other factors appear to have finally succeeded in reducing dairy overproduction and resulting government acquisitions.

Now I would like to look at CCC's inventories, purchases, and users of each food commodity in recent years.

Cheese

At the end of July 1983, CCC's uncommitted inventory of cheese peaked at 933 million pounds. Since that time the cheese

inventory has decreased to 98 million pounds at the beginning of this fiscal year and is expected to be fully utilized by the end of the fiscal year.

CCC's annual purchases of cheese peaked at 832 million pounds in Fiscal Year 1983, declined to 261 million pounds in Fiscal Year 1987, and are projected to increase slightly to 290 million pounds during this fiscal year.

CCC's annual sales of cheese averaged 37 million pounds from Fiscal Year 1983 through Fiscal Year 1987. Annual donations averaged 663 million pounds, of which 433 million pounds were through the Temporary Emergency Food Assistance Program. To date, utilizations have remained at high levels, primarily due to the 35 million pounds of cheese supplied monthly through the Temporary Emergency Food Assistance Program.

Nonfat Dry Milk

At the end of January 1984, CCC's uncommitted inventory of nonfat dry milk peaked at nearly 1.4 billion pounds. Since that time the nonfat dry milk inventory has declined to 63 million pounds at the beginning of this fiscal year and will be fully utilized by the end of the fiscal year.

CCC's annual purchases of nonfat dry milk peaked at 1,041 million pounds in Fiscal Year 1983, declined to 557 million pounds in Fiscal Year 1987, and are projected to be 580 million pounds during this fiscal year.

In the past five fiscal years, CCC's annual sales of nonfat dry milk averaged 346 million pounds. Annual donations averaged 687 pounds, of which 76 million pounds were through the Temporary Emergency Food Assistance Program. To date, utilization of nonfat dry milk has remained at a high level, primarily due to the export sales and donation programs.

Butter

At the end of July 1983, CCC's uncommitted inventory of butter peaked at 481 million pounds. Since that time, the butter inventory has declined to 82 million pounds at the beginning of this fiscal year. Due to substantial increases in butter purchases, the uncommitted inventory at the end of the fiscal year is projected to be 95 million pounds.

CCC's annual purchases of butter peaked at 409 million pounds in Fiscal Year 1983, declined to 145 million pounds in Fiscal Year 1987, and are projected to be 275 million pounds during this fiscal year.

CCC's annual sales of butter averaged 48 million pounds since Fiscal Year 1983, and annual donations averaged 322 million pounds.

Rice and Honey

With regard to rice and honey, the Food Security Act of 1985 established marketing loan programs for each of these commodities. The intent of such a program is to provide a mechanism for producers to market those commodities rather than forfeiting them to the government. Current CCC inventory of these commodities has fallen to negligible levels. CCC inventory of rice was 100,000 hundredweight, and CCC inventory of honey was 10.4 million pounds as of May 1, 1988.

Corn and Wheat

CCC inventories of corn and wheat, from which CCC provides cornmeal and flour, will sustain Temporary Emergency Food

Assistance Program distributions at current levels for the remainder of the fiscal year. As of May 1, 1988, CCC held an inventory of about 1.562 billion bushels of corn, and approximately 279 million bushels of wheat stocks.

Overseas Use of Commodity Credit Corporation Stocks

Before addressing domestic use of these commodities, I should note overseas use.

There are several overseas uses of CCC stocks, especially dairy products. The Food Security Act of 1985 mandated that CCC sell for export at least 150,000 metric tons of dairy products in each of the fiscal years 1986, 1987, and 1988, if such sales will neither interfere with usual U.S. marketings nor disrupt world prices of agricultural commodities and normal patterns of commercial trade. This was done in fiscal years 1986 and 1987, and we are attempting to comply with that requirement in fiscal year 1988.

In addition, the Food Security Act of 1985 amended the Agricultural Act of 1949 (1949 Act) to provide that the Secretary should, to the extent that the uncommitted stocks are available, make 150,000 metric tons of dairy products available in each fiscal year for foreign use under Section 416(b) of the 1949 Act. This was done during fiscal years 1986 and 1987, but, due to the successful reduction of CCC's dairy stocks, these products were not made available this fiscal year. The Secretary determined that 2.55 million tons of grains and oilseeds would be available for the overseas donation program under Section 416(b) during fiscal year 1988.

We have continued to make available CCC dairy stocks, primarily nonfat dry milk, in the Public Law 480 Title II donations program for needy people overseas. This year we expect to ship about 125,000 metric tons of powdered milk under Title II. Use of CCC milk in Title II is usually about 130-150,000 tons although in 1984 and 1985 use reached almost 180,000 tons due to emergency needs in Africa.

Domestic Program Priorities

In my letter to you and other members of Congress dated April 8, 1988, I advised you that USDA was developing plans for providing bonus (free) commodities to the schools and other domestic food assistance outlets for the upcoming year. Schools and institutions will still receive all of their entitlement commodities. In a subsequent letter, dated April 18, 1988, I informed you that, after considering the views of various interested parties and reviewing our options, we have decided on the following distribution policies:

- Wheat flour, nonfat dry milk and butter will be available for all programs on the same basis as the 1987-1988 school year. Cornmeal will also be available as a new bonus item to all programs.
- At this time, approximately one-third of the 1987-1988 utilization level of honey will be offered to schools and charitable institutions. We anticipate additional amounts of honey being offered as the year progresses.
- Rice will not be available as a bonus commodity in any program. However, we plan to make it available as an entitlement item to schools and other outlets. It will also continue to be a part of the Commodity Supplemental Food Program (CSFP) package.

- For schools, we expect to supply about 80 percent of this year's cheese usage level. The types of cheese available will be cheddar and process American. Due to the timing of acquisitions, we expect difficulty in accommodating requests for cheese during part of the school year. In order to allocate the available supply of cheese equitably among States, we shall use the number of meals served in School Year 1987-1988. However, no State will receive more than it was allocated this year. Mozzarella will not be available as a bonus cheese commodity. We expect to make mozzarella available as an entitlement item.
- Charitable institutions will be offered the same amount of cheddar and process American cheese as 1987-1988, allocated based on meals served to their needy clientele. As with schools, availability will not always match ordering patterns. Mozzarella will not be available.
- Summer Food Service Programs and summer camps will be offered cheese (and other bonus items) on the same basis as 1987-1988.
- Child Care Food Programs and the Nutrition Programs for the Elderly will receive bonus cheese (and other bonus items) only to the extent that they take at least 20 percent of their entitlement in commodities.
- The Food Distribution Program on Indian Reservations will continue to receive cheese as part of the regular food package.
- Bonus cheese and honey will not be available for CSFP since they are not part of the program's food package.
- Bonus cheese and honey will not be available for NCP. Since quantities are insufficient to accommodate all school requests through the State, it is inappropriate to continue those donations for NCP. However, it is possible that more cheese and honey may be acquired during the year than is currently projected. In order to facilitate the effective use of those products should an adequate supply become available, the Food and Nutrition Service (FNS) is willing to sign NCP agreements with eligible cheese or honey processors. These agreements can be activated immediately. As noted above, wheat flour, nonfat dry milk, butter and cornmeal will be available for NCP.
- Several NCP processors and State officials have suggested that States be allowed to assign a portion of their cheese to NCP processors as a means of continuing to make cheese available through the national processing program. FNS has examined that approach and encountered several legal and administrative obstacles. In the time available to finalize our bonus policy, we were unable to resolve all problems. We are consulting with interested parties to determine the feasibility of allowing States this option.

These policies reflect USDA's current analysis of the commodity situation. It must be recognized that if acquisitions are higher or lower than current USDA estimates, the April 18th

guidelines will be modified. USDA will monitor the dairy stocks availability situation on a monthly basis throughout Fiscal Year 1988. The Congress, as well as State and private agencies, will be advised promptly of any changes in the situation.

Also, it should be emphasized that these policies have been developed for School Year and Fiscal Year 1989 only. At this time, it is not possible to accurately forecast inventory levels, acquisitions, or dispositions of dairy stocks beyond that time-frame.

That concludes my remarks Mr. Chairman, I shall be happy to answer any questions you may have.

Questions and responses follow:

PATRICK J. LEAHY, VERMONT, CHAIRMAN
JOHN MELCHER, MONTANA
DAVID H. PRYOR, ARKANSAS
DAVID L. BOREN, OKLAHOMA
HOWELL HEFLIN, ALABAMA
TOM HARKIN, IOWA
KENT CONRAD, NORTH DAKOTA
WYCHE FOWLER, JR., GEORGIA
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JOHN B. BREAUX, LOUISIANA
RICHARD G. LUGAR, INDIANA
ROBERT DOLE, KANSAS
JESSE HELMS, NORTH CAROLINA
THAD COCHRAN, MISSISSIPPI
RUDY BOSCHWITZ, MINNESOTA
MITCH McCONNELL, KENTUCKY
CHRISTOPHER S. "KIT" BOND, MISSOURI
PETE WILSON, CALIFORNIA
DAVID K. KARNES, NEBRASKA

United States Senate
COMMITTEE ON
AGRICULTURE, NUTRITION, AND FORESTRY
WASHINGTON, DC 20510-6000

June 21, 1988

The Honorable John Bode
Assistant Secretary
Food and Consumer Services
U.S. Department of Agriculture
14th and Independence Streets, S.W.
Washington, D.C. 20250

Dear Mr. Assistant Secretary:

I appreciate your testifying before the Committee on May 10, 1988. Enclosed are additional questions which are being submitted to you for written answers. I would appreciate receiving your answers to the questions by July 12, 1988 so that the hearing record may be printed as soon as possible.

Thank you for your cooperation.

Sincerely,

Tom Harkin

TOM HARKIN
Chairman
Subcommittee on Nutrition
and Investigations

The Food and Nutrition Service (FNS) submitted a report dated April, 1987, to the Senate and House Agriculture Committees on TEFAP ("A Study of the Temporary Emergency Food Assistance Program"). References to an FNS report are to this report unless otherwise noted.

QUESTIONS FOR ASSISTANT SECRETARY JOHN BODE
SUBMITTED BY SENATOR HARKIN

HUNGER QUESTIONS --

1. In your prepared testimony you call TEFAP a success because it got rid of surplus commodities. Up to 15 million Americans, per month, have relied on TEFAP for themselves and their families. Was TEFAP also a success because it fed hungry Americans?

2. Secretary Lyng testified before the full Senate Agriculture Committee earlier this year. He testified that there was virtually no poverty induced hunger in the United States? Has he retracted or modified that statement? Do you agree with Secretary Lyng that there is no poverty induced hunger in the United States?

3. I have heard that 60 percent of Americans living at or below their poverty level do not receive food stamps. Is that percentage approximately correct? [If not, what percentage?]

4. According to an FNS report 59 percent of TEFAP recipients do not receive food stamps. Do you know why this percentage is so high?

5. A 1987 FNS report concluded that 41 percent of TEFAP households also receive food stamps and that 75 percent of TEFAP households have incomes at or below the poverty levels. Also, as you know the maximum food stamp benefit is only 81 cents, per person, per meal, for a four person household. Do you believe that one reason families apply for TEFAP assistance is that their food stamps have run out before the end of the month and they are in need of food assistance?

6. An FNS report states that 48 percent of TEFAP households contain children. Has FNS conducted any nutritional surveys to find out if these children are malnourished?

7. The FNS report states that over one-third of TEFAP households are headed by persons 60 years or age, or older. Has FNS conducted any nutritional surveys to find out if elderly TEFAP recipients are malnourished?

SURPLUS WHEAT, CORN AND DAIRY QUESTIONS FOR JOHN BODE --

1. How much surplus wheat and surplus corn is owned by the Commodity Credit Corporation (CCC) at the present time? What does it cost to store these commodities per month?

2. How much corn and wheat will likely be bought this year?

3. How much flour and cornmeal are you distributing per month in TEFAP?

4. What is the approximate dollar value of the surplus flour and cornmeal that you will distribute this year through TEFAP?

5. Will you increase the amount of flour and cornmeal you distribute to make up for discontinuing the rice distributions?

6. Have you considered providing cornflour through TEFAP in addition to regular flour?

7. You state in your prepared testimony that several factors "appear to have finally succeeded in reducing dairy overproduction and resulting government acquisitions." How much dairy product will the Commodity Credit Corporation (CCC) buy this year?

With that much dairy product being bought by CCC why can't you keep providing cheese through TEFAP? Why can't the dairy support programs be redesigned to produce less butter and more cheese.

8. We understand that there is likely to be another 50 cent cut in the dairy price support program since it is extremely likely that 5 billion pounds of dairy product will be bought by the CCC [Commodity Credit Corporation]. If even more dairy producers go out of business because of this 50 cent cut won't that mean that even less "surplus" dairy product is available for TEFAP?

QUESTIONS ON OTHER PROGRAMS SUCH AS SCHOOL LUNCH FOR JOHN BODE.

1. Your prepared testimony states that the Department can supply cheese as a bonus commodity to schools at a rate equal to 80 percent of this year's cheese usage. If schools were to buy cheese to make up for that drop how much would it cost?

2. We have heard that the price of school lunches will increase as a result of the need for schools to buy additional commodities to make up for the reduction in the amount of bonus commodities. Have you heard similar concerns -- and how much might school lunch prices have to increase?

3. Mozzarella cheese is a very popular type of cheese used by school lunch programs. Your prepared testimony states that Mozzarella cheese is being discontinued as a bonus cheese but supplied instead of other "entitlement" commodities. Have schools complained about this decision? Do you intend to change your policy?

4. Your testimony states that you are going to discontinue the National Commodity Processing program in which cheese is further processed into more useable products [such as pizzas and tacos) for use in schools. The problem is that many states have relied on the National Commodity Processing program and no longer have the processing capacity to process the cheese that they will receive. Will you reconsider your decision and extend the National Commodity Processing program?

5. The commodities provided to Indians who participate in the Food Distribution Program on Indian Reservations are a complete substitute to the food stamp program. It is thus imperative that these commodities continue to be provided at their full levels--are you planning on that approach?

6. You intend to require that Nutrition Programs for the Elderly receive "bonus" cheese only to the extent that they take at least 20 percent of the "entitlement in commodities." Have you heard any complaints that this policy will raise problems in more rural states that may not have the storage capacity to keep these commodities?

If the answer is "yes": How are you going to address this problem?

QUESTIONS ON THE SALE OF DAIRY PRODUCTS OVERSEAS FOR JOHN BODE.

1. As you mention in your prepared testimony, the Food Security Act mandates the sale of 150,000 metric tons of dairy product overseas in each of fiscal years 1986 through 1988. Will the Department support legislation to require that TEFAP be a higher priority than required commercial sales of dairy products overseas?

2. How much dairy product is yet to be sold out of the 150,000 metric tons for 1988? Would there be problems in getting out of any committments, not yet performed, for sales overseas?

3. Will the Department discontinue these commercial sales overseas pending Congressional action to rearrange this priority?

DEPARTMENT OF AGRICULTURE
OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20250

AUG [illegible] 1988

Honorable Tom Harkin
Chairman, Subcommittee on Nutrition
and Investigations
Committee on Agriculture, Nutrition,
and Forestry
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

Enclosed are responses to questions you submitted following the Subcommittee's May 10 hearing.

If you need any additional information, please contact me.

Sincerely,

JOHN W. BODE
Assistant Secretary for
Food and Consumer Services

Attachments

HUNGER QUESTIONS AND RESPONSES -- JOHN W. BODE, ASSISTANT SECRETARY FOR FOOD AND CONSUMER SERVICES

QUESTION 1

Q. In your prepared testimony you call TEFAP a success because it got rid of surplus commodities. Up to 15 million Americans, per month, have relied on TEFAP for themselves and their families. Was TEFAP also a success because it fed hungry Americans?

A. Yes. The Temporary Emergency Food Assistance Program was intended to provide emergency nutrition assistance to low-income households and it has been successful at that. The program was also a success because it showed how governments at the Federal, State and local level can work cooperatively with the private sector to reduce the cost of providing services. The Temporary Emergency Food Assistance Program is able to operate at a very low cost because USDA is able to distribute commodities with the help of an existing network of private agencies.

The program has been unique in that it provides benefits to low-income households at the same time that it assists farmers by creating an outlet for surplus stocks, reduces USDA storage costs and encourages public-private cooperation.

QUESTION 2

Q. Secretary Lyng testified before the full Senate Agriculture Committee earlier this year. He testified that there was virtually no poverty-induced hunger in the United States. Has he retracted or modified that statement? Do you agree with Secretary Lyng that there is no poverty-induced hunger in the United States?

A. Secretary Lyng is absolutely right. I share the concerns of the Committee and the Secretary for those who may be hungry. I agree with the Secretary that the Food Stamp Program and the 12 other Federally funded domestic food assistance programs have virtually eliminated poverty-based hunger. The most recent food consumption studies conducted by USDA (1985 and 1986 Continuing Survey of Food Intakes by Individuals) found that low-income women (ages 19-50) and children (ages 1-5) had nutrient intakes very similar to all other women and children. There are problem nutrients for women and for children but these problem nutrients are the same across all income groups. If there were poverty-based hunger in this country, one would expect to find low-income nutrient intake patterns that are distinct from other income groups.

Of course, this data does not mean, nor do I believe, there are no low-income Americans with significant nutritional deficiencies. However, the relative infrequency of these problems indicates they are not poverty based. Of course, some people do not have enough of the kind of food that they would like to eat. Many Americans worry about making ends meet. Though I would not, some people might call that condition hunger. Careful planning is essential for stretching tight household budgets. We would be fooling ourselves if we think that we ever eliminated that condition, or that government programs will ever be able to eliminate all human problems.

Spending for public assistance and welfare programs is at record high levels. From 1979 and 1987, spending on domestic food assistance increased from $11.2 billion to $20 billion. In addition, this Administration has improved targeting to the neediest. We need to go further in that direction and continue to make progress in the basic reform of the welfare system to promote self-sufficiency.

QUESTION 3

Q. I have heard that 60 percent of Americans living at or below their poverty level do not receive food stamps. Is that percentage approximately correct? (If not, what percentage?)

A. Yes, Senator, that is approximately correct based on reported data from the Current Population Survey (CPS) for calendar year 1986. However, there are several differences between the measure of poverty from this survey and the statutory definition of poor Americans not receiving food stamps. When the data have been adjusted for these differences, we estimate that the percentage of Americans living at or below the poverty level and eligible for food stamps who do not participate in the program is much smaller -- about 20 percent in 1986. The rate of participation among this group is substantially higher than the overall average.

There are four principal differences between the CPS definitions and our estimate. First, the CPS uses a reported annual measure of income whereas the Food Stamp Program uses a verified monthly measure of income. Second, the CPS household definition differs from the definition of the food stamp household. Third, there is an asset test that restricts food stamp eligibility to those who have moderate financial resources. And last, the receipt of food stamps in the CPS is underreported relative to the count of recipients from program records.

QUESTION 4

Q. According to an FNS report 59 percent of TEFAP recipients do not receive food stamps. Do you know why this percentage is so high?

A. The food stamp participation rate among Temporary Emergency Food Assistance Program recipient households appears to be consistent with what we know about other characteristics of these households. This finding is, in large part, explained by the sizable portion (38 percent) of elderly households receiving Temporary Emergency Food Assistance Program benefits. The Food Stamp Program participation rate among elderly households (20 percent) is considerably lower than among other groups such as female-headed Temporary Emergency Food Assistance Program households (71 percent). Moreover, some portion of the Temporary Emergency Food Assistance Program population is income and/or asset ineligible for food stamps. Consistent with this, when Temporary Emergency Food Assistance Program households not receiving food stamps were asked, 40 percent reported they are not eligible for food stamps. Among households that believe they are eligible, 40 percent feel they can get along without food stamps.

QUESTION 5

Q. A 1987 FNS report concluded that 41 percent of TEFAP households also receive food stamps and that 75 percent of TEFAP households have incomes at or below the poverty levels. Also, as you know, the maximum food stamp benefit is only 81 cents, per person, per meal, for a four person household. Do you believe that one reason families apply for TEFAP assistance is that their food stamps have run out before the end of the month and they are in need of food assistance.

A. It is important to remember that, for most participants, food stamps are a supplement to household income and are not intended to cover a full month's food bill. Second, the benefits are based on the Thrifty Food Plan which is designed to provide a nutritious low-cost diet.

Households receiving food stamps, on average, spend more money on food and obtain more nutrients per dollar than eligible but nonparticipating households. The most recent surveys showed that 46 percent of the households in the Food Stamp Program met the recommended daily allowance for 11 nutrients. This is nearly the same as for all households (50 percent) and substantially higher than any low-income households that did not participate in the program (34 percent).

Without a doubt, most households that apply for the Temporary Emergency Food Assistance Program do so to stretch their budget. However, that fact does not mean other assistance is inadequate. It simply indicates people prefer to have more given to them.

Though sporadic and nonuniform, in this respect, the Temporary Emergency Food Assistance Program operates as just another welfare program.

QUESTION 6

Q. An FNS report states that 48 percent of TEFAP households contain children. Has FNS conducted any nutritional surveys to find out if these children are malnourished?

A. FNS funded the low-income portion of the 1985 Continuing Survey of Food Intakes by Individuals (CSFII), which was sponsored by Agriculture's Human Nutrition Information Service (HNIS). CSFII found that young children across all income categories achieve the RDA for food energy and 12 nutrients. They do fall short for two nutrients -- iron and zinc. These nutrients are problems, but they are problems for all children including those from households with income over 300 percent poverty. These two nutrients tend to be problems for other age groups as well. CSFII did not identify TEFAP participation.

FNS has worked with HNIS to incorporate questions on TEFAP participation into the 1987-88 Nationwide Food Consumption Survey. The data tape from this survey will be available for analysis in early 1989 and will provide information on the household food consumption pattern and dietary intake of TEFAP recipients, including children.

QUESTION 7

Q. The FNS report states that over one-third of TEFAP households are headed by persons 60 years of age, or older. Has FNS conducted any nutritional surveys to find out if elderly TEFAP recipients are malnourished?

A. The decennial Nationwide Food Consumption Survey (NFCS) provides data on the elderly as well as other age groups. The 1977-78 NFCS data show that the elderly have nutrient achievement patterns similar to younger adults. FNS has worked with the Human Nutrition Information Service to incorporate questions on TEFAP participation into the 1987-88 NFCS. The data tape from this survey will be available for analysis in early 1989 and will provide information on the household food consumption pattern and dietary intake of TEFAP recipients, including the elderly.

RESPONSES TO

QUESTIONS ON OTHER PROGRAMS SUCH AS SCHOOL LUNCH FOR JOHN W. BODE

QUESTION 1

Q. Your prepared testimony states that the Department can supply cheese as a bonus commodity to schools at a rate equal to 80 percent of this year's cheese usage. If schools were to buy cheese to make up for that drop how much would it cost?

A. Schools will continue to receive bonus cheddar and process cheese at the same levels as Fiscal Year 1988. Because of the 20 percent drop in cheese availability, mozzarella cheese will not be available as a bonus item. It would cost schools approximately $40 million at current wholesale cheese prices to make up the difference in mozzarella. States will have the option, however, to receive mozzarella as an entitlement commodity.

QUESTION 2

Q. We have heard that the price of school lunches will increase as a result of the need for schools to buy additional commodities to make up for the reduction in the amount of bonus commodities. Have you heard similar concerns -- and how much might school lunch prices have to increase?

A. Schools would have to increase purchases by $40 million annually to maintain current cheese use levels, or about 1 percent of the total Federal contribution to the National School Lunch Program (NSLP). It should be recognized, however, that the donated cheese is used in all aspects of school food service, both in program meals and in a la carte items produced, so the effect on the school lunch program will be less than $40 million. The Department does not anticipate that this relatively minor change would cause any significant increase in the average price of a school lunch.

There is historical evidence to support this assertion. The Omnibus Budget Reconciliation Act of 1981 (OBRA) decreased Federal subsidies to the NSLP by almost $1 billion in Fiscal Year 1982. Despite the subsidy declines and price increases, the basic structure of the NSLP remained unchanged, partly because school districts were able to make judicious substitutions and take cost saving or relatively small price increases that would not affect the fundamental nature of the program.

QUESTION 3

Q. Mozzarella cheese is a very popular type of cheese used by school lunch programs. Your prepared testimony states that mozzarella cheese is being discontinued as a bonus cheese but supplied instead of other entitlement commodities. Have schools complained about this decision? Do you intend to change your policy?

A. Schools are concerned about the availability of all cheese products and, of course, about the transfer of mozzarella cheese from the bonus category to the entitlement category. They are aware though of the limited supply and have not complained specifically to us about the mozzarella cheese. Because the supply situation of all cheese products is uncertain at best, we do not intend to change our policy at this time. If the supply situation changes, either favorably or unfavorably, we will review our policy and make appropriate adjustments at that time.

QUESTION 4

Q. Your testimony states that you are going to discontinue the National Commodity Processing program in which cheese is further processed into more usable products (such as pizzas and tacos) for use in schools. The problem is that many States have relied on the National Commodity Processing program and no longer have the processing capacity to process the cheese that they will receive. Will you reconsider your decision and extend the National Commodity Processing program?

A. The National Commodity Processing (NCP) program is not being discontinued. In fact, the Department is presently processing NCP contracts for the 1988-89 agreement year. Except for cheddar and process American cheese, all approved processors may still place food orders for bonus commodities. These include flour, nonfat dry milk, butter, butter oil, and cornmeal.

Since U.S. Department of Agriculture (USDA) cheese inventories are limited, the Department has elected to target available cheese supplies to States for distribution to their schools. Our desire is to maximize the amount of cheese provided to States, so that they, rather than the Federal NCP program, can determine the appropriate amount of cheese to donate to the individual local recipient agencies.

The Department will consider allocating cheese for the NCP program if and when sufficient cheese supplies are available after States have been provided with supplies up to last year's levels. Until then, however, the Department has implemented an interim cheese Pass-Back System effective July 1, 1988. This system is designed primarily to aid those few States that may not be able to react immediately to the lack of cheese in the NCP program. Under the system, FNS will order cheese and track sales on the States' behalf.

QUESTION 5

Q. The commodities provided to Indians who participated in the Food Distribution Program on Indian Reservations are a complete substitute to the Food Stamp Program. It is thus imperative that these commodities continue to be provided at their full levels -- Are you planning that approach?

A. The Food Distribution Program on Indian Reservations provides an alternative to the Food Stamp Program in rural areas where access to food stores is difficult. The food package provides a variety of foods from the four basic food groups and meets the recommended dietary allowances.

Although the Department does not anticipate any major changes in the structure of the food package as it exists today, periodic modifications are done as a result of Indian food preferences, cost of available commodities and the nutritional needs of the Indian population. The Department recently completed a major review of the food package with extensive input from the participating tribes and as a result made changes in the package that improve it both nutritionally and in terms of acceptability.

QUESTION 6

Q. You intend to require that Nutrition Programs for the Elderly receive "bonus" cheese only to the extent that they take at least 20 percent of the "entitlement in commodities." Have you heard any complaints that this policy will raise problems in more rural States that may not have the storage capacity to keep these commodities?

If the answer is "yes": How are you going to address this policy and this problem.

A. We have received only one letter expressing concern with our policy and this was from a rural State.

We understand the problems incurred by small nutrition sites in the more rural areas. Formerly, we required that States utilize 50 percent of their entitlement in commodities before they were eligible for restricted bonus food items. Because of problems that some small States may have had with storing and handling large amounts of commodities, we reduced the commodity requirement to 20 percent. Now that the surplus supplies of dairy products have been substantially reduced, it has become necessary to limit donations of these products to all outlets, and to include dairy products as one of the restricted bonus items. There are many things that rural areas can do to more readily utilize commodities, including sharing the ordering and storage of commodities with near-by schools. Since the Nutrition Program for the Elderly is intended to be a commodity support program, it seems reasonable that bonus items be restricted to those who take some of their support in commodities.

SURPLUS WHEAT, CORN AND DAIRY QUESTIONS FOR JOHN W. BODE--AND THE RESPONSES TO QUESTIONS POSED BY SENATOR HARKIN

1. How much surplus wheat and surplus corn is owned by the Commodity Credit Corporation (CCC) at the present time? What does it cost to store these commodities per month?

As of July 1, CCC owns about 284 million bushels of wheat, of which 147 million bushels are committed to the Food Security Wheat Reserve. CCC-owned corn totals 1.020 billion bushels. Average storage costs for wheat and corn per month as of July 1 are 2.85 cents per bushel for wheat and 2.83 cents per bushel for corn. Under the Food Security Wheat Reserve (P.L. 96-494), the Secretary is required to reserve up to 147 million bushels of wheat for emergency humanitarian food needs in developing countries. CCC recently requested and received offers for the storage of this reserve. The only offers accepted were from warehousemen who offered storage rates less than their regular Uniform Grain Storage Agreement (UGSA) rates. These rates averaged 0.38 cent per bushel per month less than their regular rates. The quantity accepted at these rates was about 100 million bushels. The balance of the reserve will be designated within CCC's regular inventory at current UGSA rates. To the extent possible, wheat inventory will be designated in warehouses with the lowest storage rates.

2. How much corn and wheat will likely be bought this year?

   Assuming that you are referring to the estimated quantities of wheat and corn which CCC may acquire in its inventory through loan forfeitures or under purchase agreements, we would expect at this point in time that forfeitures or purchases of these grains would be minimal for the remainder of this year because of the current drought situation. Earlier budget estimates of CCC acquisitions were made prior to the known severity or continuance of the drought.

3. How much flour and cornmeal are you distributing per month in TEFAP?

   Monthly flour and cornmeal distributions under TEFAP total 12 million pounds and 4 million pounds, respectively.

4. What is the approximate dollar value of the surplus flour and cornmeal that you will distribute this year through TEFAP.

   The value of the flour distributed will be approximately $16.6 million. The cornmeal will have a value of about $5.4 million.

5. Will you increase the amount of flour and cornmeal you distribute to make up for discontinuing the rice distributions?

   No increases are planned.

6. Have you considered providing cornflour through TEFAP in addition to regular flour?

Corn-masa flour is a recently developed food which has been added to the list of foods available for child nutrition programs. The availability would be limited to the quantity offered by the industry at acceptable prices. The production of the product is somewhat limited in consumer-size packages, and the cost of the product is considerably greater than cornmeal or wheat flour. In the past, requests for corn-masa flour have been on a regional basis rather than for general distribution.

Dairy Questions

7. You state in your prepared testimony that several factors appear to have finally succeeded in reducing dairy overproduction and resulting government acquisitions." How much dairy product will the Commodity Credit Corporation (CCC) buy this year?

With that much dairy product being bought by CCC why can't you keep providing cheese through TEFAP? Why can't the dairy support programs be redesigned to product less butter and more cheese.

CCC purchases for Fiscal Year (FY) 1988 under the milk price support program are currently estimated at 10.0 billion pounds, milk equivalent. At this projected level, the cheese and nonfat dry milk (NDM) in CCC's inventory are expected to be fully utilized by the end of FY 1988, while a carryover of about 153 million pounds of butter is projected.

During the first 9 months of the FY, CCC has purchased approximately 9 billion pounds, milk equivalent. Of these purchases, approximately 3 billion pounds are in the form of cheese and 6 billion pounds in the form of butter. Under the milk price support program, CCC must purchase dairy products in the form offered, as long as they meet specifications.

In view of recent trends in market prices and the effects of the drought, it is unlikely that any significant quantities of butter and cheese will be purchased during the remainder of the FY. Because of the tight world market conditions for NDM, the export prices for NDM are above the CCC support purchase price. Recently, U.S. manufacturers have sold about 90 million pounds of U.S. produced NDM for export without any USDA subsidy for delivery through early 1989. Therefore, it is unlikely that much more NDM will be purchased under the price support program in 1988.

8. We understand that there is likely to be another 50 cent cut in the dairy price support program since it is extremely likely that 5 billion pounds of dairy product will be brought by the CCC (Commodity Credit Corporation). If even more dairy producer go out of business because of this 50 cent cut won't that mean that even less "surplus" dairy product is available for TEFAP?

Because of the drought and other conditions, we do not know at this time if the 50-cent reduction in the support price will be put in effect. As the "surplus" decreases, less is available for all programs, including the temporary emergency program.

QUESTIONS ON THE SALE OF DAIRY PRODUCTS OVERSEAS AND RESPONSES

1. As you mention in your prepared testimony, the Food Security Act mandates the sale of 150,000 metric tons of dairy product overseas in each of fiscal years 1986 through 1988. Will the Department support legislation to require that TEFAP be a higher priority than required commercial sales of dairy products overseas?

The Food Security Act of 1985 directed the Secretary of Agriculture, through the Commodity Credit Corporation (CCC), to sell not less than 150,000 metric tons of dairy products owned by the Commodity Credit Corporation for export in each of the three fiscal years ending September 30, 1988. CCC has a fiduciary and legal responsibility to obtain the highest possible return for commodities held in inventory. If legislation is passed and signed into law requiring that a higher priority be placed on disposals of CCC-owned inventory through the Temporary Emergency Food Assistance Program (TEFAP), the Department will certainty operate within the spirit and intent of the law. However, we would also hope that the Congress would appropriate adequate funds for the operation of the TEFAP rather than placing an additional program requirement under the general borrowing authority of CCC.

2. How much dairy product is yet to be sold out of the 150,000 metric tons for 1988? Would there be problems in getting out of any commitments, not yet performed, for sales overseas?

As of July 5, 1988 the Department has entered into sales contracts for a total of 104,357 metric tons of CCC-owned dairy products. These sales agreements are best described as commercial sales contracts, and failure to perform by the Department could result in the payment of substantial damages. Moreover, such action could seriously damage the reputation of the United States as a reliable supplier and could interfere with other export program efforts.

As a further note, the expected quantities of dairy products to be purchased by CCC in fiscal year 1988 were allocated to various program uses at the beginning of the fiscal year. Due to the level of purchases of dairy products experienced by CCC during the course of the fiscal year, no additional offers or commitments for nonfat dry milk were made after mid-February, and no additional sales of nonfat dry milk will be made for the foreseeable future. The suspension of sales of nonfat dry milk resulted in commitments equal to 56 percent of the amount allocated for export sales at the beginning of the fiscal year. The level of sales to date for nonfat dry milk is a drastic reduction from previous years and the Department has reduced the quantities sold to traditional customers below the amounts purchased in prior years.

Further, the Department suspended efforts for the export sale of cheese in mid-February. The only products that are currently being offered for export are butter and butteroil, which is processed from CCC-owned butter.

3. Will the Department discontinue these commercial sales overseas pending Congressional action to rearrange this priority?

As stated above, the Department is currently seeking export sales only for CCC-owned butter. Due to the quantity of butter in CCC inventory, the Department does not anticipate any shortage of butter for domestic program requirements. As such, a suspension of sales efforts for butter would disrupt efforts to reduce inventory levels without any benefit to the domestic programs that utilize butter. The Department is not planning at this time to initiate efforts to sell for export nonfat dry milk or cheese at this time.

Senator MELCHER. How many metric tons of dry powdered milk does CCC own as of the first of the month?

Mr. SINDT. I do not have it in metric tons.

Senator MELCHER. You do not have it in metric tons?

Mr. BODE. We can convert metric tons to pounds, can we not?

Mr. SINDT. I can give it to you as of last week, Senator. In uncommitted inventories, we had 11.3 million pounds as of the first of May.

Senator MELCHER. I want to know everything you have, every last pound you have. Do not give me just uncommitted inventory.

Senator BOSCHWITZ. Nonfat dry milk, you asked?

Mr. SINDT. As of the first of the month, in total owned inventory, of which a large part has been committed to certain uses, we had 140 million pounds of nonfat dry milk in total inventory.

Senator MELCHER. About 140 million?

Mr. SINDT. But uncommitted, as of the beginning of the week, we had 11 million.

Senator MELCHER. Let us decide what you have committed for once, will you?

You had 140 million pounds on May 1, is that right?

Mr. SINDT. In total storage inventory, yes.

Senator MELCHER. And at what rate is it coming in?

Mr. SINDT. Well, we bought 12.9 million pounds of nonfat dry milk in the last week of April.

Senator MELCHER. You determine whether you are going to buy so much in dry powdered milk or put it in cheese or butter, right?

Mr. SINDT. No, sir.

Senator MELCHER. You do not?

Mr. SINDT. The dairy price support program does not work that way.

Senator MELCHER. You do not have that option? You have to buy up the surplus in nonfat dry milk, is that right?

Mr. SINDT. Senator, we take the price support level, as determined by Congress, and then in applying a formula, equate that formula using manufacturing margins, et cetera, to get back to a price that the Government stands ready to purchase nonfat dry milk, butter and cheese at a price which equates to the support level.

And then whatever forms of surplus milk there are out there will be offered to the Government at those prices, which equate to the support level.

Senator MELCHER. These will be offered by the co-ops to the Government?

Mr. SINDT. Yes, sir.

Senator MELCHER. And it is their option, then, whether it is cheese or butter or dry powdered milk?

Mr. SINDT. Yes, sir.

Mr. BODE. Basically, a response to market conditions, sir.

Senator MELCHER. Well, you do tell them what the price is, though, do you not, plus the margin?

Mr. SINDT. Yes, but, Senator, the price is determined by whatever the statutory level of support is and then it is plugged into a formula to arrive at the Government purchase prices.

Senator MELCHER. What if they just want to present butter?

Mr. SINDT. Well, the Government stands ready to purchase at those prices products which are offered. It is solely at their option to provide.

Senator MELCHER. You have 220,000 million pounds of butter as of the first?

Mr. SINDT. 180 million in uncommitted inventories currently, 220 in total owned inventory as of the first of the month.

Senator MELCHER. And 98 million in cheese?

Mr. SINDT. Again, in total owned inventory; roughly 30 million currently in uncommitted inventory.

Senator MELCHER. Do you have a big market for butter these days out of CCC?

Mr. SINDT. Well, our utilizations for butter are less proportionately than they are for the other products.

Senator MELCHER. Well, now, wait a minute. Let us get along here. Do you have a good market out of CCC for butter or not, and if so, what is it?

Mr. SINDT. Senator, could you define that, the market? Do you mean the sales market?

Senator MELCHER. Yes, I mean the sales market.

Mr. SINDT. I think that as sales relate to—if you are talking about overseas sales, currently butter and cheese, and historically, have not been substantial markets. We do not really have traditional markets for those products.

Senator MELCHER. What is the market today out of CCC for a pound of butter?

Mr. SINDT. Well, I will have to defer to the Foreign Agricultural Service at that point.

Ms. CHAMBLISS. Under the provision for mandated sales, thus far this year we have sold slightly over 12,000 tons of butter and butter oil, Senator.

Senator MELCHER. Since we are talking in pounds, translate the 12,000 metric tons into pounds.

Ms. CHAMBLISS. It would be about 26 million pounds.

Senator BOSCHWITZ. Mary, did you sell them at market prices?

Ms. CHAMBLISS. They were sold basically at negotiated market prices. I would have to get the specifics for you.

Senator MELCHER. What was it?

Ms. CHAMBLISS. I am sorry, sir. I would have to get that information for the committee.

Senator MELCHER. Was it about 78 cents a pound? You know something in the ballpark, do you not? Was it between 70 cents and a dollar?

Ms. CHAMBLISS. Do you remember, Bob?

Mr. SINDT. It would have been about that.

Senator MELCHER. About what?

Mr. SINDT. Senator, in that range.

Senator MELCHER. Between 70 cents and a dollar?

Mr. SINDT. Yes.

Senator MELCHER. It was a good thing I gave a big range, was it not?

Mr. Bode, do you figure this is out of your ballpark, knowing the price of this stuff as it sells? Who is responsible for this?

Mr. BODE. Well, the Foreign Agricultural Service.

Ms. CHAMBLISS. It would fall under the direction of the general sales manager, who is the Associate Administrator of FAS.

Senator MELCHER. And who is not under you, is that right, Mr. Bode?

Mr. BODE. Yes, sir.

Senator MELCHER. He is not?

Mr. BODE. He is not.

Senator MELCHER. Well, it is discouraging. We have a hearing. If we do not get the right three or four people in the room at the right time, you are never going to get an answer for questions like, how much was sold, and what was the price.

Between 70 cents and a dollar is a pretty big range, I would say. How much did it cost when you put it in there?

Ms. CHAMBLISS. I am sorry, Senator. If you give me 5 minutes, I will go call the appropriate office and find out the prices. I just did not realize that information would be required, but I would be happy to get it for you, Senator, for the milk, butter and cheese, if you wish to know the prices. We have sold all three commodities.

Mr. SINDT. $.7275 a pound is the current domestic purchase price for nonfat dry milk.

Senator MELCHER. $.7275 is the current price, and it would help to know what you sold over the past year of butter, milk and cheese abroad and any other place.

Mr. SINDT. Senator, if I may, from my recollection of recent FAS sales, nonfat dry milk recently was sold for $1,260 a metric ton. There have not been sales of nonfat dry milk in recent months. I am aware that there is reported, at least, a sale recently by the European Community at roughly $1,600 a metric ton.

Nonfat dry milk prices have gone up on the world market considerably. If that is the case, they are very close to our support price. That was an FOB European sale basis.

Senator MELCHER. If there were going to be some available dairy supplies for TEFAP, it would appear to me that cheese and nonfat dry milk would be the choices over butter, but can any of you comment on that?

Mr. BODE. The preferred item for the Temporary Emergency Food Assistance Program is certainly cheese. Nonfat dry milk is preferred over butter. Of course, there are——

Senator MELCHER. Do you have the flexibility under the law to vary the arrangement so if you needed more cheese and nonfat dry milk rather than butter, you would get that delivered rather than the butter?

Mr. BODE. No, sir, because we are in a position that the dairy price support program responds to market conditions in the acquisitions. So if commercial sales of cheese are up relative to butter, then we are probably going to have a larger proportionate share of our acquisitions in the form of butter and nonfat dry milk. That is just the way the formula that has consistently been used with the dairy price support program interacts with the marketplace.

I do not know if ASCS would like to add anything. Mr. Sindt works more directly with those acquisitions, of course.

Mr. SINDT. Well, in essence, Senator, we really only have the availability of that which is offered to us by the dairy industry that

comes in as a surplus product in a form which it is commercially manufactured.

Senator MELCHER. I understand that, but the question was since cheese and nonfat dry milk seem to be more attractive for TEFAP, would there be some current authority to acquire either one of those rather than more butter?

Mr. SINDT. Not under the way that the current price support program has been operated. Really, the Government traditionally has not attempted to cause a tilt, if you will, in terms of one product over the other, but rather to let the commercial marketplace determine what the form of surplus dairy products will be manufactured into.

Senator MELCHER. Well, it does not seem to be working right now, since in CCC you have far more butter than you know what to do with. Mary, what did you say the sales were last year?

Ms. CHAMBLISS. This year, thus far about 12,000 tons of butter.

Senator MELCHER. And that translates into how many pounds?

Ms. CHAMBLISS. Approximately 26 million.

Senator MELCHER. We still have 220 million, and your pace of selling that is very slow, is it not?

Ms. CHAMBLISS. Right. The marketing of butter is a slow process.

Senator MELCHER. I want to make a suggestion. I do not know whose bailiwick it falls in, but I want to make a suggestion that you provide us some language. If we are going to help TEFAP with more dairy products, make the language that we acquire more cheese and nonfat dry milk. I do not see how that disturbs the market. You just have less butter sitting in storage.

Mr. BODE. Yes, sir.

Senator MELCHER. I do not think that would be difficult, would it?

Mr. BODE. No, sir.

Senator MELCHER. I mean to make that kind of change.

Mr. BODE. No.

Senator MELCHER. Also, who can supply language on changing this requirement that 150,000 metric tons be sold abroad?

Ms. CHAMBLISS. Well, first of all, I would note that that requirement does expire this fiscal year. But we could ask our lawyers to draft language at your request.

Senator MELCHER. We might just want to set it for a lower amount. That is continue it beyond this fiscal year at a lower amount. I guess that is easy enough to do.

Do you have a problem with that?

Mr. BODE. No, sir.

SENATOR MELCHER. Senator Harkin would like me to ask this question on his behalf. In the Subcommittee on Nutrition and Investigations field hearings to date, Senator Harkin asked each witness a question which he would like to ask of you, Mr. Bode.

If you had the ability to make whatever changes you feel appropriate to our food assistance programs, what changes would you feel most pressing and why?

Mr. BODE. I think the changes we would make would follow the general policy themes this administration has consistently pursued, Senator, of doing a better job of targeting assistance to those in greatest need and improving the efficiency of our operations.

As you know, I am in a little bit of an awkward situation because the terms of the budget agreement specify that the administration would not be proposing changes in a number of these programs, and I have been admonished as an administration witness not to be in violation of the budget agreement in any way.

I do think that we can do a better job of targeting assistance in our programs and making them work a little more efficiently.

Senator MELCHER. Is TEFAP one of the most targeted programs you ever saw in your life?

Mr. BODE. No, sir. I think it is a program that was structured as a temporary emergency program and it has done a pretty good job of making use of surplus stocks. But it is very loosely structured, which makes some sense when one is distributing surplus commodities in this fashion.

But as a regular part of our food assistance effort to target assistance to those in greatest need, and target it in a fashion that is responsive to their particular need, it is nowhere near as good as the Food Stamp Program, for example, or I think our other food assistance programs that are part of our regular effort.

Senator MELCHER. Food stamps and what else? WIC?

Mr. BODE. Well, the major efforts, Food Stamp Program, Special Supplemental Food Program for Women, Infants and Children. Our school feeding programs are good programs, and the child nutrition programs.

I feel very good about our commodity donations to charitable institutions, particularly where they go into congregate feeding sites and provide assistance to homeless individuals.

You know, the Temporary Emergency Food Assistance Program has been held out as a response to the needs of homeless people a number of times, and I guess I felt a little uncomfortable with that because we have a very, very, very small level of assistance to homeless people through the Temporary Emergency Food Assistance Program.

I think less than one-tenth of 1 percent of recipients of the Temporary Emergency Food Assistance Program are homeless individuals, and that makes sense when you think about how much use homeless individuals can make of a 5-pound block of cheese, a 2-pound bag of rice, a block of butter, a 5-pound bag of cornmeal or flour. It is simply not a package of foods that is of real use to homeless individuals.

Senator MELCHER. You just do not think TEFAP is targeted enough. Yet, how many million people do you think it reaches every month?

Mr. BODE. We think it has provided assistance to about 15 million people.

Senator MELCHER. Every month?

Mr. BODE. Let us see. I believe that is a monthly number. Yes, that is a monthly number.

Senator MELCHER. Well, that is quite substantial.

Senator Boschwitz.

Senator BOSCHWITZ. I wonder, Secretary Bode, if you would give us your assessment of the need for the TEFAP Program?

Mr. BODE. We support the Temporary Emergency Food Assistance Program. We are pleased that it was started as a matter of

administrative discretion in this administration, and we think it ought to be continued as a way to distribute to low-income Americans the surplus foods that are in Commodity Credit Corporation inventories. So we are for it. We have proposed reauthorization of the program.

However, to modify it to buy foods just for distribution through it, we think ought to be very carefully considered because there can be better use made of any moneys that are spent in that fashion.

Senator BOSCHWITZ. You think funds would be put to better use in other food programs? Is that the idea?

Mr. BODE. I think other food programs make better use of whatever level of funding would be put into it.

Senator BOSCHWITZ. You would recommend that we put money in other programs rather than authorize funds for purchasing commodities for the purpose of continuing the TEFAP Program. Is that correct?

Mr. BODE. Rather than into——

Senator BOSCHWITZ. Yes.

Mr. BODE [continuing]. If I may, Senator, I do not want to be unresponsive to your questions. I am in a little bit of an awkward situation because we do not really know what the budget resolution is going to say.

Senator BOSCHWITZ. We do not either.

Mr. BODE. Maybe you do, sir.

Senator BOSCHWITZ. No.

Mr. BODE. Of course, administration witnesses have, and I think for very good reasons, not engaged in speculation of what additional amounts of money beyond the President's request would be best used for.

I think if the budget resolution is consistent with the budget agreement, we will be in a position that we can work with you in trying to answer your questions about program matters of that sort.

I would say in response to your question, sir, the Temporary Emergency Food Assistance Program, as far as dollars and cents going into it, is not one of our more effective uses of taxpayer dollars if it is operating purely as a food assistance program, especially if one compares it, for example, to the Food Stamp Program or the others.

Senator BOSCHWITZ. You heard Senator Harkin read that passage from Secretary Lyng's speech. Would you comment on that, please?

Mr. BODE. Sir, I think Secretary Lyng was referring to some very clear, objectively gathered data that we have from our national nutrition monitoring system. I know you have at times in the past back in 1983 or 1984 expressed great frustration to me in hearings that we did not have more information about the nutritional status of Americans, especially low-income Americans.

Well, we now have the nutrition monitoring system in place that you were eager for us to get, and data from 1985 for the most vulnerable groups, women and their children aged 3 to 5, indicates that the nutrient consumption levels, the quality of nutrients as compared against the RDA's, for low-income Americans—there were no major differences there from all other income groups.

90-153 - 88 - 4

That is an indication that, on the average, nutrient consumption levels look good. There were a few problem nutrients, but there were problems for both groups. Now, it does not mean that there are absolutely no problems. It means that the broad poverty based problems do not appear to be there.

I think what we have to give careful consideration to is sometimes there are problems that underlie some of these difficulties that go beyond a simple level of income support provided by our various programs, and I think we are all aware of the kind of tragic social dysfunction that sometimes is present.

Senator BOSCHWITZ. Go right ahead.

Senator MELCHER. How are you measuring whether they have adequate nutrition?

Mr. BODE. We go out and ask people what they eat. The food consumption survey that the Department of Agriculture has operated for decades is a decennial, every 10 years, survey on food consumption.

Using the experience with that, we have started what we call the Continuing Survey of Food Intakes by Individuals. The first year for that was 1985, and that is intended to give us a more responsive system so we can eventually get to an every-year type of trend line and have a closer touch.

The techniques that have been developed over the years with the food consumption survey were used in the Continuing Survey of Food Intakes by Individuals.

Senator MELCHER. I think 60 percent of the people on TEFAP may be elderly, and that is an alarmingly high figure. What do your figures show?

Mr. BODE. My figures show around 40 percent, 38 percent of the households have a household head who is 60 years or older.

Senator MELCHER. On TEFAP?

Mr. BODE. Yes, sir, of the Temporary Emergency Food Assistance Program recipients.

Senator MELCHER. Apparently, I am a little bit too high.

Senator BOSCHWITZ. The bottom line is that it does not look like CCC will have the surplus of dairy products to accommodate the needs of charitable institutions, the School Lunch Program and other domestic programs.

Then there are the requirements under the Food Security Act of 1985 to export a certain amount of dairy commodities, those requirements being passed at a time when surpluses seemed endless and the caves did not seem large enough.

Now we are faced with the prospect that if we want to continue TEFAP, which is pretty popular up here, we are going to have to come up with the money. You know, you get a real parade of folks up here who think it is a great program, and from what I can judge it has done a good job.

I guess I would turn back to Mr. Sindt. Am I saying that right?

Mr. SINDT. Yes.

Senator BOSCHWITZ. We are going to have a lot of butter and nonfat dry milk and not as much cheese. As I understand it, from your testimony and in general, the CCC has to buy what is offered.

Mr. SINDT. Yes, sir.

Senator BOSCHWITZ. Is it possible to put a premium on one item or another? I understand there was a lawsuit about that some time ago, is that right?

Mr. SINDT. Well, it is a matter that has been of concern, I think, within the dairy industry. Senator, the Government traditionally has attempted to avoid—"tilt" is a common phrase that has been used in terms of one product over the other.

But, rather, our formula equating to the purchase price attempts to make no advantage or disadvantage to any product, but rather let the commercial marketplace determine what will be produced.

Senator BOSCHWITZ. So can you tilt or can you not tilt? Historically you have not, but maybe now with more restricted supplies you ought to tilt a little bit and make more cheese.

Mr. SINDT. Well, traditionally we have been reluctant to do that because we are concerned about the impact that it would have for the long term commercially and impacting the Government in a way that historically has not been done within an industry.

Senator BOSCHWITZ. I did not understand that answer, I must tell you.

Mr. SINDT. I do not think that we have a great enthusiasm to introduce a tilt into the market.

Senator BOSCHWITZ. I gathered that, but can you do it?

Mr. SINDT. We could structure a formula in such a way which would give a price advantage to one product over the other. Certainly, I think that could be done. What would result from that, we would have to see after we had done it.

Senator BOSCHWITZ. I am told that that was done at one time and that the industry took you to court. Are you familiar with that?

Mr. SINDT. Senator, I really cannot respond on a historical basis about whether or not we have been sued in the past. I cannot tell you.

Senator BOSCHWITZ. If it can be done, it would seem to me to be logical to do so. Mr. Bode, if you have some comments to make on this, I'd be interested to hear them.

If you make pretty good projections on what you are going to be receiving and what your surpluses are going to be and if cheese is more easily distributed or at least there is a greater need for it, it would seem to me that you can tilt a little bit.

Mr. BODE. Sir, I think we would be pleased to have our general counsel respond to you.

[The material can be found on pages 100 and 101.]

Senator BOSCHWITZ. Is he here?

Mr. BODE. He is not here—definitively on whether or not the Department feels we have administrative discretion to introduce a tilt of that sort, and I am sure he will take into consideration any past litigation on the point.

Senator BOSCHWITZ. I think that would be helpful, Mr. Chairman.

Senator MELCHER. I think it would be helpful just to send us up language if we are going to pass a bill.

Mr. BODE. And that certainly can be done. We will do that.

Senator MELCHER. The language should make it clear that they can buy the cheese or dry powdered milk rather than butter if it

appears that cheese and dry powdered milk would be much better to have in the inventory than the butter.

Mr. BODE. I am concerned about one other thing, Senator. It seems to me that the effect of that reduction in butter acquisitions and increase in cheese acquisitions should not be understood to be a lot greater than it would be because our butter stocks are down significantly as well and it is a broader effect of reduced dairy stockpiles.

They are a good bit higher than cheese and nonfat dry milk, but——

Senator MELCHER. I would point out that they sold 26 million pounds of butter.

Ms. CHAMBLISS. That is this fiscal year, sir.

Senator MELCHER. The price was between 70 cents and $1 a pound, right?

Ms. CHAMBLISS. I will have to pass that to Mr. Sindt.

Mr. SINDT. Well, Senator, I cannot tell you the precise level of current sales, but recently I know there are—sales in about the $1,200 range would be a good figure. So what I gave you is probably high, and I think if you look at cheese probably about $1,300 would reflect a ballpark world market price for those two commodities.

Senator MELCHER. Let me make my point. That butter inventory is a lot higher priced. It is a lot higher than anything else there according to the list I was looking at, and it is higher priced than both the cheese and the nonfat dry milk per pound.

Mr. SINDT. Senator, if I could interject, on our purchase prices that is absolutely correct. Currently, on the international world market prices, you have nonfat dry milk prices which are higher than both butter and cheese prices, which is a phenomenon, I believe.

I am not a foreign sales expert, but it has to do with a tremendous supply-demand situation for nonfat dry milk on world markets currently.

Ms. CHAMBLISS. And a considerable reduction in nonfat dry milk stock. So we do have an aberrant or unusual situation where the price of nonfat dry milk is quite high in international markets.

Senator BOSCHWITZ. The Europeans practically gave the Russians some butter, not so long ago at 10 percent of their cost, and so it is hard to know what the prices are and I suppose they vary.

Senator MELCHER. I am talking about acquisition price.

Ms. CHAMBLISS. Your acquisition price.

Senator MELCHER. Your acquisition price——

Senator BOSCHWITZ. Oh, the acquisition price; that is different.

Senator MELCHER [continuing]. For butter it is much higher than it is for the others.

Senator BOSCHWITZ. It takes more milk.

Senator MELCHER. Yes.

Senator BOSCHWITZ. But in any event, it would be interesting to know if you could tilt. Then I guess the bottom line is we have got to make up our mind whether or not to authorize funds for continuing TEFAP or do away with some other programs and give this a priority of some type.

We all are quite taken with the TEFAP Program and it has been quite successful, at least in our eyes, so it is interesting to hear

you, Mr. Bode, say that you do not think it is as targeted as some of the other programs.

So my final question, Mr. Chairman. If we were going to authorize funding, where would you rather see that money go within the nutrition programs? Would you rather see it go to WIC, which has been increasing quite a good deal, or would you rather see it go to school lunch or breakfast, or other programs?

In your testimony, if you put it in terms of dollars, providing schools with 80 percent of the cheese they received last year amounts to a $90 million loss to the schools.

This is quite a large reduction in the School Lunch Program, even though school lunch is still getting the vast majority of the cheese that they have gotten in previous years.

Again, how should additional funding be authorized? You are looking over these programs on a full-time basis. We are not.

Mr. BODE. Senator, if I may, first on the school lunch, it is called a bonus commodity because traditionally over the many years that the school feeding programs have received these commodities on a bonus basis, they have gone in and out of bonus according to the stocks of the Commodity Credit Corporation.

We at times in the past have distributed cheese and then discontinued bonus cheese distributions simply as a reflection of those dairy stocks, and I think that it is very widely viewed in that context and well understood in the school lunch community.

I regret that I am in a position that I cannot be responsive to your question of what we would recommend be done with additional moneys. I trust you will understand that at this point, I am an administration witness. That is why you are interested in hearing from me.

Testifying on behalf of the administration, I feel very honored to do that, we are sticking by the administration's budget. If the budget resolution comes in consistent with the budget agreement, we will be in a position, I think, at that time to work with you more closely.

Senator BOSCHWITZ. But, we are kind of giving you the opportunity in advance.

Mr. BODE. I realize that, sir.

Senator BOSCHWITZ. Do not come back and complain later on and say, well, we should have done this or that rather than TEFAP. We are giving you an early shot here.

Mr. BODE. Sir, I trust you understand that when we do not know how much money is being talked about at this point under the budget resolution, it puts me in a very awkward situation.

I am aware of the parameters of that budget resolution in conference, but I suppose it is conceivable there could be a situation where, very close to the President's budget is reflected there, and I simply must not be in a situation where I get ahead of myself.

Senator MELCHER. Senator Conrad.

Senator BOSCHWITZ. It is nice to see you back at the committee, Mary.

Senator CONRAD. Do you have a profile of the users of TEFAP, income, age?

Mr. BODE. Yes, sir. I can run through some of the highlights with you if you like.

Senator CONRAD. Could you do that, just give me an idea of the profile of the users of the program?

Mr. BODE. Yes, sir. There are approximately 5 million households with approximately 15 million people who have been receiving assistance through the Temporary Emergency Food Assistance Program. Three-fourths of them have income levels below the poverty level, 91 percent of them income levels below 130 percent of the poverty guideline.

Senator CONRAD. What is the poverty guideline for a family of four?

Mr. BODE. $12,000 a year for a family of four, approximately, sir.

Senator CONRAD. OK.

Mr. BODE. One-half of them are one or two-person households, which I think is an interesting characteristic to compare with the first two I gave you, and that is not surprising when one thinks about the fact that a very large proportion are elderly, with 38 percent of the households having a household head over 60 years of age.

As I mentioned earlier, less than one-tenth of 1 percent of recipients of the Temporary Emergency Food Assistance Program are homeless.

Senator CONRAD. All right. Could you give me an analysis of what is available? I do not know how you look at it in terms of available supplies in the major commodity groups. What do you have available in cheese? Do you know what is available on a monthly or on a quarterly basis, days of supply remaining? What do you use as the standard of measurement?

Mr. BODE. What we are doing right now as an operational reality, Senators, the Food and Nutrition Service staff meet with appropriate personnel from the Agricultural Stabilization and Conservation Service, and also some folks from the Foreign Agricultural Service, and we get together at least monthly to look at acquisitions under the dairy price support program and assess whether or not we will be able to resume any activities that have been discontinued, just what the level of expected inventories is relative to possible uses.

That is how, for example, recently we informed States that we would be able to make nonfat dry milk available for use in the Temporary Emergency Food Assistance Program for June and then we came back later and let them know that we would be able to provide it for July as well.

But it is necessary because of the volatility in the acquisitions to make that a month-by-month call.

Is that responsive to your question?

Senator CONRAD. Yes. So in cheese, for example, how many months do you have in inventory, how many months' supply?

Mr. BODE. Well, we have at this point pretty well have all of the cheese obligated when one recognizes that coming into the school year, with schools and charitable institutions we have a high level of use very early in the year.

Senator CONRAD. But with respect to TEFAP, will you be doing distributions of cheese at all from here on in?

Mr. BODE. We do not have cheese for distribution through the Temporary Emergency Food Assistance Program at this time and

we do not foresee making cheese available through the Temporary Emergency Food Assistance Program at this time.

Senator CONRAD. And butter—it sounds to me like you have an almost unending supply.

Mr. BODE. Well, we have a good deal of butter. I think in historical terms it is not very much because we had a great deal more, but at this time we have enough butter to continue making all that schools and charitable institutions want available to them, as well as continued butter distributions through the Temporary Emergency Food Assistance Program at the past rates.

Senator CONRAD. And for how long do you foresee being able to do that?

Mr. BODE. Well, through the remainder of the fiscal year and into the following year. It is a little awkward to say anything beyond that because as the months progress we will have a better idea of what our acquisition picture looks like.

Senator CONRAD. All right. Flour?

Mr. BODE. We have sufficient stocks of wheat to continue our flour distributions to schools and charitable institutions as we have in the past, as well as flour and cornmeal distributions through the Temporary Emergency Food Assistance Program.

Senator CONRAD. How about honey?

Mr. BODE. Honey distributions have been discontinued through the Temporary Emergency Food Assistance Program because of the substantial depletion of those stocks.

Senator CONRAD. And nonfat dry milk?

Mr. BODE. Well, that is where we are on a month-to-month, Senator. We have informed States that—I guess it is fair to say we let them know that April looked like it would be the last month and then we told them we could provide for June. Then we told them we could provide in July, and we are just going to have to take that on a month-by-month basis.

We are trying to work with the States to give them reasonable notice and still make best use of the commodities.

Senator CONRAD. Is there a tradeoff between cheese, butter and nonfat dry milk in terms of what you are able to do through the program? Obviously, all of these have milk as a basis.

You are indicating that you use the marketplace to determine which of these things are in surplus, and then obviously you are taking surplus supplies and making them available through this program.

My question goes to the earlier comments of being able to make a judgment and make a determination and have a program that encourages the production of one over the other. What would be the mechanism for encouraging production of cheese, for example, over butter? How would you do that?

Mr. BODE. Sir, I need to defer to my colleague from ASCS.

Mr. SINDT. Senator, that is why it poses some difficult questions that I think should be recognized.

Senator CONRAD. That is what I am trying to understand.

Mr. SINDT. First of all, one of the questions, from a legal standpoint that has to be addressed is whether or not you can, under the current law, allow for such a tilt because what you are, in effect,

doing is providing for a support price for one product which is higher than it would be for another.

We have to recognize that when milk is produced in this country, and it is not used as fluid milk, but goes into secondary production of products, it either goes generally into butter and nonfat dry milk production at a butter-powder plant or a cheese-whey plant. There are other plants, but generally those will be the two types of production that you will have.

So what you end up doing is, to the extent that that is determined commercially, it is set up and existing with the plants there. You cannot just turn the spigot off of a butter-powder plant which may not necessarily be commercially desirable and open the spigot the next day and convert it into a cheese plant.

You are talking about the potentiality of disrupting the current flows of milk between production areas and within marketing orders. I cannot get into the marketing order area, but it seems to me that there are all those sorts of questions that are posed if you try to encourage—certainly, if we went out and tried to make special purchases, there would probably be more of an inclination of the fluid milk to go to existing cheese plants.

I think it would naturally tend to cause the price that we would pay to go up, so there would be a premium that we would pay and naturally you would get increased production.

Senator CONRAD. Yes.

Mr. SINDT. But the butter plants are still going to have to operate at a certain level, I would believe, to maintain their employment and to keep the plants running and to have an outlet for the milk within those co-ops.

Senator CONRAD. All right. That is what I was trying to get was some of the richness of the explanation as to why there is some difficulty in tilting. I had not heard some of these things before and I wanted to make sure those things get on the record so it is clear that there are some reasons for that problem.

Mr. SINDT. That certainly should be on the record, Senator, because there are those concerns.

Senator CONRAD. One of the options that is brought to my attention is instead of tilting purchases by CCC of cheese is to simply require USDA to buy cheese wholesale for TEFAP. Obviously, that would have some cost implications that we would want to look at.

But it does seem that when you have got a demand out there that is for cheese, residual demand in the sense that it is outside the marketplace—it is through the TEFAP Program—and we have got all kinds of butter, that somehow we ought to find a way of fine-tuning the program, adjusting the program so that we get cheese when that is what people want versus butter, which continues to mount up.

I turn it back to you, Mr. Chairman, so that Senator Harkin can have a chance at his questions.

Senator MELCHER. Senator Harkin.

Senator HARKIN. Mr. Chairman, thank you. In the interest of time—I know there are other witnesses—I will talk to Mr. Bode at some other point in time. I think most of the questions that I wanted to get into on the cheese program removal have been answered, so I just pass up my time.

Senator MELCHER. Mr. Bode, the information you had on the makeup of households on TEFAP showed that around 40 percent of the head of the household was elderly, or at least one person in the household was elderly.

Would it make a difference if you did not say head of the household? Would there be more elderly if you did not use that term?

Mr. BODE. Sir, if you went to a strictly individual basis, the percentage would decline, of course, because some people are in those households that are headed by an elderly person who are not elderly. So the percentage of elderly recipients would be lower.

I am sorry we just have the household data. I do not believe we have it broken down by individuals.

Senator MELCHER. It seems like your information indicates that at least 38 percent of the households receiving TEFAP have at least one elderly person.

Mr. BODE. That is correct, sir, at least 38 percent of the households is the number, have at least one elderly person.

Senator MELCHER. That is a high percentage. We also know that 48 percent of the households have children.

Mr. BODE. That is correct, sir.

Senator MELCHER. So we are getting the young and the elderly on TEFAP.

I would like you to comment on my observation that a reason many of the people on TEFAP are not on food stamps is because they somehow think it is a loss of dignity.

Mr. BODE. I think we asked some questions of the Temporary Emergency Food Assistance Program recipients who were not participating in food stamps as to why they were not. I believe about 40 percent of them indicated that they were not eligible for food stamps, and that number is probably an accurate number when one looks at the general data available about various income and assets ineligibility. Eligibility for the Temporary Emergency Food Assistance Program in some States runs as high as 185 percent of the poverty guidelines.

Also, about 25 percent of the nonparticipants said that they were eligible for food stamps, but were not receiving food stamps because they did not think they needed food stamps—I am sorry. What they said was they could get along without the food stamps.

What I think we get into here, particularly with elderly households—and that is where I think the bulk of the nonparticipation in food stamps among Temporary Emergency Food Assistance Program recipients is—is benefit levels that are relatively low because they are close to the eligibility cutoff line in the Food Stamp Program.

It is simply a matter of whether it is worth the effort to go down and make application for the Food Stamp Program to receive $10 or $12 worth of food stamps. I do not find it surprising that we have higher rates of nonparticipation in the Food Stamp Program closer to the eligibility cutoff line where benefit amounts are lower.

That is also I think more true for the elderly consistently as far as Food Stamp Program nonparticipation goes.

Senator MELCHER. I think there are several points of difficulty. One is that some people find it less degrading and retaining more

of their personal dignity by not being on food stamps, but participating in TEFAP.

Obviously, the amount of commodities any one family receives at one time from TEFAP is very limited. So if they feel like they can retain their dignity to a higher degree than by having food stamps, some people get in the line. Generally it is a public line, so there is some loss of dignity there, too.

As far as the elderly are concerned, I think it is very difficult to be sure what nutrition level they have through a survey. I think it has to be done very carefully to really determine what nutrition level exists with them. I just wonder whether your technique is of that quality that could identify the nutritional level of the elderly households that you survey.

Mr. BODE. Well, sir, I guess I would not want to tell you that I feel the technique is perfect. I think there are always areas where improvement could be made in the survey activities. It is a very complex field.

I can tell you that a great deal of work has been put into development of the methodology and there is a great deal of concern about its accuracy. Also, I think we should look for any biases that might exist to see if they would be tilted in one way or another.

It seems to me that if there is a bias, it would in all probability be consistently reflected across income groups if you are concerned about the data I referred to earlier, though it was not specific to the elderly. Of course, we would be delighted to talk with you more about our nutrition monitoring activities.

If I may, one other subject, sir, going back to the perception of the Temporary Emergency Food Assistance Program and the Food Stamp Program. You know, many times when we come up to testify, we try to refer to lots of data, and that way we can show that there is a good basis for our statements.

It has been my anecdotal observation that the Temporary Emergency Food Assistance Program is just viewed in an altogether different way than the Food Stamp Program. People are far more receptive, they are far more pleased to receive assistance through the Temporary Emergency Food Assistance Program because of the dual purpose of the program.

They understand quite well that the Federal Government had this cheese, or whatever commodity they receive, anyway. They are simply making good use of that food that was in Commodity Credit Corporation stocks.

I think that is why many people, earlier in the operation of the program who were by no one's standards low-income, felt very pleased to receive assistance—cheese, in particular—through that program.

Some changes were made to tighten operations so the program is a little better focused on low-income people, but it is a program that is viewed far differently from the Food Stamp Program, which is widely viewed as basically a welfare program, as it is an important income security effort.

I think that difference in view and common perception of the program accounts for a good deal of the difference in particularly how older Americans, elderly people, are inclined to receive assistance through the programs.

Senator MELCHER. I may have some other questions, and I am sure others on the committee will have other questions to submit in writing to you.

Senator CONRAD. If I could just take another bite at the apple on matching what we have available to what the demand is in the TEFAP Program. In our State we have a disproportionate number of the people who are taking advantage of this program who are elderly. In fact, we have a more elderly population, so we would expect that, and we have more who are very poor in our State who are elderly. So, again, we would expect them to be taking advantage of TEFAP.

I think the point that you made is a very strong one as to how people view the program. It is a not a welfare program. It is a program that is providing surplus commodities to those who are most in need, and the fact is, from your figures, we are matching that program to those with the greatest economic need. Is that not the case, given the numbers that you have provided here?

Mr. BODE. I think the Temporary Emergency Food Assistance Program as it is now operating—I would not want my earlier testimony to be misunderstood—is a very good program. We are very pleased with it, and it is in large part because of that dual purpose of the program that we are very pleased with it.

It is fairly well targeted. I do not think it is as well targeted as the Food Stamp Program, for example, but it is a good program and we feel good about it.

Senator CONRAD. But there is a difference, you know. If we go back to that difference, one is a welfare program, in essence; one is slanted differently in that you are providing surplus commodities to those who are most in need.

You have done, by the statistics you have used here today, a pretty good job of getting it to those that are in most cases, three-quarters of them, below the poverty level, 100 percent of them below 130 percent of poverty, which is pretty tough shape if you look at a family of four earning $14,000 a year or less.

I would leave you with this thought—I think it is the most important thought that we leave today—and that is that it would seem to me we have to find a way to meet demand. If people want cheese and we have surplus milk that can go to either butter or cheese, let us go to cheese and let us get cheese out there. That is the thing that has certainly been the hot item.

Hopefully, we can craft something here. We understand that administratively that is not your call. That is not your responsibility. That is our responsibility and we should find some way to meet it, and we need your help to do it.

Senator MELCHER. Kraft will be glad to hear you say that.

Senator CONRAD. Yes, I am sure.

Senator MELCHER. Thank you all very much for helping us today.

Mr. BODE. Thank you, sir.

Senator MELCHER. The next witness, James Nolan, is from Montana. He is the Chief of the Intergovernmental Human Services Bureau, Department of Social and Rehabilitation Services, from our State of Montana.

Please come up here, Jim.

Senator HARKIN. Do you want to bring them both up at the same time? We have one from Montana and one from Iowa. Just bring them up and they can go in order.

Senator MELCHER. We can certainly have both James Nolan and William Armstrong, Director of Commodity Distribution Programs for the State of Iowa.

Jim, please proceed.

STATEMENT OF JAMES NOLAN, CHIEF, INTERGOVERNMENTAL HUMAN SERVICES BUREAU, MONTANA DEPARTMENT OF SOCIAL AND REHABILITATION SERVICES, HELENA, MT

Mr. NOLAN. Thank you, Mr. Chairman and Senator Harkin. It is an honor to appear in front of the subcommittees today.

Mr. Chairman, if I might take just a second before I proceed, I just want to extend to you our appreciation for your support of the program. It is certainly well known in Montana, that to a large degree, this program exists because of your efforts and I guarantee you that everyone who receives from the program is aware of that and we very much appreciate it.

I would like to take just a couple of minutes to share some thoughts with you on how the program works in Montana, why we think it should be continued, and make a couple of recommendations for changes to make it work better.

We utilize a network which is comprised of 6 of the Indian reservations—the State's tribal governments—and the 10 Human Resource Development Councils, HRDC's as they are called in Montana. In Iowa, Senator Harkin, they are probably called Community Action Programs.

They, in turn, use a subdistribution network of 153 subsites throughout the State, and our feeling on that is we are trying to make it as available as we possibly can to as many people as we possibly can in a State which ranks fourth in size in the country. Montana is very sparsely populated, but a very big State.

We utilize the State warehouse system. When the requests for commodities come in from the HRDC's or the reservations, we process them and ship them out on State trucks, a procedure which has worked very well, we think, and it takes about 1 to 3 weeks to get a requisition in and to the principal site in the local contractor's area.

They then use their system of volunteers and their own manpower and equipment to get the commodities distributed throughout the State. I should point out that even though in Montana we allocate about 70 percent of the TEFAP administrative funds to the local agencies, that is well short of the amount needed to get the commodities into the hands of people at the local level.

In 1986, which was not the highest year but the last year in which we did a survey or analysis of how much it was costing us, we found that TEFAP was about $90,000 short in terms of meeting the actual costs necessary to deliver the service.

The HRDC's have used their other programs, primarily the Community Services Block Grant, and personnel which are assigned to programs such as CSBG and the weatherization program, and use their trucks to get the commodities out to individuals.

We have tried to make the application process very simple. We do not have an extensive process. Anyone who is on any of the major assistance programs, be they fuel assistance or AFDC, is categorically eligible. Anyone who is below 150 percent of poverty or is unemployed is eligible as well.

Our feelings behind this system are that, one, we do not have the funds to implement a more sophisticated and time-consuming system. And, two, the nature of the program, as it was initially designed, was on an emergency basis and we wanted to get the food to people as quickly as we could without an elaborate process.

We have done an analysis of the people we are serving and I guess our figures are a little bit different than Mr. Bode came up with. We found that about one-half of our people are senior citizens. They may be just over the income guidelines for other more restrictive programs.

The other one-half is comprised of people who are on food stamps, whose food stamps do not last the month, or they are unemployed individuals who have recently lost their job and have not yet qualified for other assistance programs, or they are the working poor, those whose income would just make them ineligible for the other programs, but they are still at 150 percent of poverty, not wealthy, and in need of assistance.

In fiscal year 1987 we were serving about 66,000 households and distributing about 450,000 pounds of food on a monthly basis. These figures represent the highest annual levels since the program began. Since TEFAP has begun to be restricted, those figures are down considerably, and if the program is continued to be restricted we will see an even sharper dropoff. We are now down to about 53,000 individuals a month that are receiving the help.

All I can tell you is the demand for the program has certainly not been reduced. Our ability to meet that demand has been reduced. We are finding more and more people who are not getting help from TEFAP are showing up at the soup kitchens around the State. So I think all we are doing is successfully transferring the responsibility to meet the needs of these people to someone else, in this case the private sector.

In addition to getting food to people, there have been a couple of benefits to TEFAP which have been probably unexpected but have been very welcome. One is we have found many people who come in and receive TEFAP are unaware of other public assistance programs, for whatever reason. The HRDC's have told us that TEFAP is one of their best outreach tools they have ever had. People who will come down for cheese, they talk to them about weatherization of their homes, they talk to them about fuel assistance, they talk to them about job training programs, and it has been extraordinarily effective in that regard.

The other thing that we have found, and this is kind of anecdotal, I guess, but I do not think it should be disregarded, is some of the mothers have told us that their children are eating better. Whereas before they would come home from school and reach for a cookie, reach for a pop or whatever, or go without entirely, now that there is cheese in the house, they will have a snack of cheese. They have said it is the first time that the kids, and the mothers, I

guess, to some extent, have ever begun to think nutritionally and it has been very beneficial in that regard.

We would make the following recommendations to you:

One, to extend the program—and your comments this morning are certainly welcome and I could not agree with you more—to extend the program and enlarge the variety and amount of commodities poor people can receive. A draft of the bill that I saw would make high-protein commodities available, canned meat, canned fish. We certainly support that. Anything you could do along those lines would be very welcome.

Second, the other problem—and this may be specific to the rural States or whatever, but on the administrative funds we would like to see the administrative funds increased, or if those funds could not be increased, perhaps the formula which allocates the funds could be changed.

The way it works now is the funds are distributed based on raw numbers of unemployed people and people below poverty. In Montana, and I suspect the other States represented on this committee as well, we do not have a high number of people, but our rate is very high.

I called back and I got the unemployment rate for Montana. The last month we had was March and it was a little bit over 9 percent, as compared to about 5.5 percent nationwide. So if there could be some consideration given to relative rates rather than absolute numbers, we would welcome that as well.

In closing, Mr. Chairman, I would say that what we would tell you—and I have heard Mr. Bode's arguments about the program, but the name of the program is the Temporary Emergency Food Assistance Program. Temporary, we hope not, and the "emergency" in TEFAP still exists and we have a tremendous demand for the program and would urge you to extend it.

Thank you, sir.

[The prepared statement of Mr. Nolan, letter, questions, and responses follow:]

TESTIMONY OF MR. JIM NOLAN
CHIEF, INTERGOVERNMENTAL HUMAN SERVICES BUREAU
MONTANA DEPARTMENT OF SOCIAL AND REHABILITATION SERVICES
ON THE TEMPORARY EMERGENCY FOOD ASSISTANCE PROGRAM

BEFORE THE U.S. SENATE AGRICULTURE COMMITTEE'S
SUBCOMMITTEES ON NURTITION AND INVESTIGATION
AND
AGRICULTURAL PRODUCTION AND STABILIZATION

MAY 10, 1988
RUSSELL SENATE BUILDING, RM.328-A

STATEMENT OF MR. JIM NOLAN
CHIEF, INTERGOVERNMENTAL HUMAN SERVICES BUREAU
MONTANA DEPARTMENT SOCIAL & REHABILITATION SERVICES

Mr. Chairman and distinguished members of the subcommittees, I am Jim Nolan of the Montana Department of Social and Rehabilitation Services.

It is an honor to be allowed to appear before you and present testimony on the Temporary Emergency Food Assistance Program (TEFAP).

I would like to share some thoughts with you about how the program works in Montana, why we think it is a valuable service which should be continued, and some recommendations to make it work better.

We use sixteen contractors to distribute TEFAP commodities; 10 Human Resource Development Councils (HRDCs) and six of the state's tribal governments. The contractors, in turn, utilize 153 sub-sites throughout the state so that no needy person is ever too far from a distribution point.

Our distribution system uses a centrally leased warehouse in Helena, Montana. Employees of the warehouse are state employees, a change we implemented in FY87 which has allowed us to handle a heavy flow of commodities and also to pass more TEFAP storage and distribution funds on to the contractors.

We are able to do this since we no longer pay a private firm to store, load and ship commodities; a process whereby the more they loaded the more we paid. By utilizing our staff and paying rental costs on the facility we can ship more commodities less expensively.

As contractors' requests for commodities are received, they are processed and shipments are delivered to the primary sites in the contractors' areas within one to three weeks. The contractors then utilize their own manpower and equipment and volunteers to distribute locally. I should point out that even though we do pass on nearly 70% of TEFAP's administrative funding to the local agencies, they all use other funds, primarily Community Services Block Grant funds and equipment to deliver TEFAP.

They are to be commended for their efforts and commitment to the program and the people it serves.

I would also like to commend the regional USDA office for their cooperation in administering TEFAP. Their relationship with our office and their efforts on our behalf have always been outstanding. We feel that USDA in Denver has always done their best to keep us informed of available excess products. I have been told that Montana is first in our region in terms of TEFAP commodities distributed on a per capita basis and I think the regional USDA office had no small part in that accomplishment.

For a client to receive TEFAP, we have tried to make the application process as simple as possible. Anyone on any other of the major assistance programs, such as AFDC or fuel

assistance, is categorically eligible. Anyone below 150% of the poverty level or unemployed is also eligible. Our feeling is that the program is intended to serve people who are in immediate financial difficulty without an elaborate verification process. Our feeling also is that there just is not the staff or funds available to engage in such a process.

Who we are serving:

-- approximately 50% of our caseload is senior citizens, often those whose income is just over the levels for other assistance.

The other 50% are:

-- needy families whose foods stamps run out before the end of the month;

-- unemployed individuals whose unemployment benefits have run out and who are spending their available resources to maintain their households before they can qualify for other assistance;

-- the working poor, whose incomes, although certainly meager at less than 150% of the poverty level, keeps them from other public assistance.

During FY87 we averaged 66,000 households and 500,000 pounds of food on a monthly distribution. These figures represent the highest annual levels since the program began. Now that the availability and variety of TEFAP commodities have been reduced we are serving about 13,000 less households and 70,000 less pounds of food a month. If the reduction continues, the drop will be even more pronounced as our stores are depleted.

However, the demand is not being reduced; only our ability to meet that demand. Those people are turning to other places for help, especially local food banks. We are doing what we can to help the food banks including passing on Emergency Food and Shelter funds from the McKinney Homeless Act and working with them to become affiliated with Second Harvest, a privately operated program. Unfortunately, it is just not enough.

Other benefits of TEFAP have also been realized. First, we have found many people who are otherwise unaware of other available assistance programs. The HRDCs have told us that TEFAP is one of their best outreach tools. People who have never needed help before are receiving TEFAP and, at the same time, learning about food stamps, fuel assistance and weatherization.

Also, the program seems to be instilling better nutrition habits. Mothers have told me that their children now return home from school and reach for a snack of cheese rather than sweets.

We would make the following recommendations to you--

1) Extend the program and enlarge the variety and amount of commodities poor people can receive.

2) Increase administrative funds and alter their allocation. In FY86, before the dramatic increase in TEFAP distribution, we estimate that other sources were supplementing TEFAP costs by $90,000 in Montana.

Presently, funds to store and distribute TEFAP are allocated on a formula which is based partly on a state's number of unemployed and partly on its number of persons below the poverty level. Montana is a huge, sparsely populated state. Our total number may be low compared to other states, but our relatively high unemployment and poverty rates on top of our vast distance should receive consideration. We and the HRDCs are committed to making the program available statewide, but we need your help.

3) It would be very desirable to know at the beginning of a year how much and what variety of commodities will be available so that local agencies can better plan their distribution.

I know people will say that TEFAP was never intended to be a permanent supplement to the problem of hunger, but the "emergency" in TEFAP is still there, people are still hungry and unemployed in Montana. TEFAP is still needed.

We respectfully urge your extension of the program and sufficient commodities to make it worthwhile.

Letter and responses to questions follow:

PATRICK J. LEAHY, VERMONT, CHAIRMAN
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United States Senate
COMMITTEE ON
AGRICULTURE, NUTRITION, AND FORESTRY
WASHINGTON, DC 20510-6000

June 21, 1988

Mr. James Nolan
Chief
Intergovernmental Human Services Bureau
Dept. of Social and Rehabilitation Services
State of Montana
P.O. Box 4210
Helena, Montana 59604

Dear Mr. Nolan:

I appreciate your testifying before the Committee on May 10, 1988. Enclosed are additional questions which are being submitted to you for written answers. I would appreciate receiving your answers to the questions by July 12, 1988 so that the hearing record may be printed as soon as possible.

Thank you for your cooperation.

Sincerely,

Tom Harkin

TOM HARKIN
Chairman
Subcommittee on Nutrition
and Investigations

QUESTIONS FOR JIM NOLAN (MONTANA)

1. For years, the President's proposed budget has not provided any Federal funds to help defray state and local costs in handling, transporting and storing TEFAP commodities. Congress has provided $50 million/year for use by all the states. How important is it that your state receive this funding?

2. What types of persons apply for TEFAP in your state?

3. What percentage of the households on food stamps also apply for TEFAP food packages?

4. How long will your supplies of TEFAP cheese last now that USDA has issued its last cheese shipment? How many months worth of rice to you still have?

5. Is there poverty based hunger in your state? What percentage of the persons who wait in TEFAP lines do you believe are really needy and hungry?

6. Should the TEFAP program also distribute to states a greater variety of high protein foods such as peanut butter and canned tuna fish or other meats?

7. In your state, do you see alot of needy children who use the TEFAP program? Do you see alot of elderly who use the TEFAP program?

8. Millions of Americans, up to 15 million per month, apply for TEFAP commodities. Millions of them do not even apply for food stamps. Why?

DEPARTMENT OF
SOCIAL AND REHABILITATION SERVICES

TED SCHWINDEN, GOVERNOR

P.O. BOX 4210

STATE OF MONTANA

HELENA, MONTANA 59604

July 22, 1988

Senator Tom Harkin
Chairman, Subcommittee on Nutrition
and Investigations
U.S. Senate
Washington, DC 20510-6000

Dear Senator Harkin:

Thank you for the opportunity to submit additional information concerning the Temporary Emergency Food Assistance Program (TEFAP). Enclosed are responses to your questions of June 21, 1988.

Please let me know if additional information is required.

Sincerely,

Jim Nolan, Chief
Intergovernmental Human Services Bureau
Economic Assistance Division

JBN/087

Enclosure

1. Current TEFAP transportation and storage funding, though inadequate, provide the basic financial assistance needed to pay costs associated with the storage and distribution costs. If these funds were not available it would severely curtail or eliminate future distributions. We estimate that other federal programs such as the Community Services Block Grant pay for as much as 40% of the TEFAP costs.

2. We estimate 50% of our caseload is senior citizens. The remainder is comprised of a mixture of food stamp recipients, persons waiting for unemployment benefits and the working poor.

3. It is estimated that 10,500 individuals participating in the food stamp program participate in TEFAP. An indepth study of client profiles has not been undertaken. This estimate has been provided by the local agencies.

4. Current supplies of cheese are nearly non-existent. Rice supplies may last two months depending on distribution by local agencies.

5. There definitely is poverty-based hunger in Montana. I believe that most, if not all, of people receiving commodity food truly believe they are in need of this assistance.

6. The TEFAP program should include high protein food items. Nutrition is the biggest risk factor to low income individuals. Healthy people would "pay back" the government in reduced medical care costs.

7. We have noted a significant amount of single parent households who have told us the cheese has improved the nutrition of their children. We estimate that 50% of our clients are senior citizens.

8. Commodities through TEFAP are readily available, the eligibility requirements are simplified, and to many people TEFAP does not carry the stigma of "welfare."

JBN/087

Senator MELCHER. Thank you, Jim.

Next is Mr. William Armstrong.

Senator HARKIN. First of all, I want to say something about Bill Armstrong. Bill has been the head of this program for 8 years now in Iowa and, basically, he is our food czar in Iowa. He has control over all these programs. I do not even know if I can remember them all.

I would just say this publicly. Bill, you have done a great job in coordinating so many various programs. There have been some innovative programs that you have initiated in Iowa. I have seen those firsthand. Private groups have connected with some of the public organizations to really get these programs in Iowa moving.

I have worked with the community action agency a couple of times and I have seen how those programs have come together under your directorship. I do not know how much food you are distributing in Iowa now, but I have sensed that it has been a very successful program in Iowa, filling the gaps that I mentioned earlier and I think that you have stated in your prepared testimony.

So, I welcome you here, and again, thank you for the fine job you have done in Iowa.

STATEMENT OF WILLIAM A. ARMSTRONG, DIRECTOR, COMMODITY DISTRIBUTION BUREAU, STATE OF IOWA DEPARTMENT OF HUMAN SERVICES AND CHIEF, SUPPORT SERVICES BUREAU, IOWA DEPARTMENT OF HUMAN SERVICES

Mr. ARMSTRONG. Thank you. I am very proud of the program in Iowa. We would like the opportunity to do much more and I appreciate this opportunity to present recommendations for continuation and improvement of the Temporary Emergency Food Assistance Program [TEFAP].

TEFAP began in 1982 as an emergency reaction to pending spoilage of huge stocks of dairy products stored by USDA. The program has now become an integral and essential part of the Nation's efforts to provide food assistance to disadvantaged Americans. From its inception, State and local human services officials, such as myself, have been unhappy with the impact upon the people we serve of the uncertain and volatile character of the program, as administered by an Agency whose primary mandate is to maintain a stable market for agricultural products.

I am here today as an advocate for continuation, expansion, and improvement of TEFAP. The recommendations I will make are grounded in 8 years of experience in providing donated foods to needy families. That experience has convinced me that there are hungry people in Iowa and that for all too many, TEFAP is vital to their nutritional well-being.

If nothing else, the TEFAP program has clearly demonstrated that there is hunger in America; hunger that is not being adequately addressed by other longstanding assistance programs. Before USDA imposed limits upon the amount of food made available for TEFAP, the Iowa program in 1983 distributed 16 million pounds of food to an estimated 414,000 needy persons. Although the Institute for Research on Poverty currently estimates that 500,000 Iowans are living on poverty level incomes; and although Iowa's

percentage of persons in poverty has grown substantially, the number we are able to serve under the current funding and food allocation level has shrunk to 225,000 persons. In 1986, Iowa distributed 15.8 million pounds; in 1987, 12.8 million. This current year, we are estimating that that level is going to drop again to 12 million pounds. If Congress does not do something, the cutbacks that we are anticipating for the coming year are going to put us at 6 million pounds, which would be a drastic 50-percent reduction.

We think Iowa is fairly representative of the Nation. Hunger and nutrition problems are on the rise in America. According to a U.S. Conference of Mayors study, the number of homeless individuals has increased by 20 percent last year.

Nutrition Week in its January 1988 issue indicated that poor nutrition is one reason that the U.S. infant mortality rate is twice that of other industrialized nations. Iowa's 620 distribution sites are part of a national system of 25,000 primary and local feeding organizations now providing TEFAP commodities to 34 million hungry Americans. Substantial numbers of these persons dependent upon TEFAP foods are children in low-income, single-parent families, elderly on fixed incomes, and persons living in rural communities bypassed by economic recovery.

Senator HARKIN. Bill, if I could interrupt you here, the chairman is too nice to tell you, but we have a conference going on here very shortly.

Mr. ARMSTRONG. Let me just get to the meat of my recommendations.

Senator HARKIN. That is what I want, get those recommendations in there.

Mr. ARMSTRONG. We think that TEFAP has earned the right to be elevated to the rank of permanent domestic food assistance program. It should no longer be considered temporary nor emergency, but rather a permanent part of the Federal Government's effort to eliminate hunger in America. While the program has proven to be very popular and a cost effective means of reaching the Nation's needy with food assistance, it has been plagued by an uncertain future and wide swings in food allocation levels. These conditions, which make the maintenance of a volunteer based system very challenging, stem directly from the view of the program as only a temporary adjunct to the agricultural price support and market stabilization machinery.

Specifically, it is recommended that Congress establish minimum annual allocations of basic commodities for the program and that these minimum allocations have priority over foreign distributions and sales. Further, it is recommended that USDA be given money for and directed to purchase sufficient high protein, home usable food quantities to fulfill the minimum level, regardless of market conditions. In addition, surpluses generated by price support and surplus removal mechanisms which are offered as bonus items to other domestic distribution programs should also be offered to this program.

I had a couple of other remarks that were not in my prepared statement that I would like to get into. We are very proud of the innovative things that we have done with food distribution in Iowa

and there are a couple of additional programs that I would like to call your attention to.

There are two projects to expand food distribution which are now in formative stages, the food bank demonstration project and a demonstration project to provide coupons to recipients of assistance under the WIC Program for use at farmers' markets. Iowa is interested in being part of both of these demonstration projects.

I would like to submit for the hearing record information prepared by our Department of Agriculture on the farmers' market coupon demonstration program. This information that I will submit supports legislation on a demonstration introduced by Congressman Leland from Texas, and with a few changes we would like to support that legislation.

[The prepared statement of Mr. Armstrong, with attachments, follow:]

STATEMENT OF WILLIAM A. ARMSTRONG, DIRECTOR, COMMODITY DISTRIBUTION BUREAU, STATE OF IOWA DEPARTMENT OF HUMAN SERVICES

Mr. Chairman, members of the Subcommittees, I appreciate this opportunity to present recommendations for continuation and improvement of the Temporary Emergency Food Assistance Program (TEFAP).

TEFAP began in 1982 as an emergency reaction to the pending spoilage of huge stocks of dairy products stored by USDA. The program has now become an integral and essential part of the nation's efforts to provide food assistance to disadvantaged Americans. From its inception, state and local human services officials, such as myself, have been unhappy with the impact upon the people we serve of the uncertain and volatile character of the program as administered by an agency whose primary mandate is to maintain a stable market for agricultural products.

I am here today as an advocate for continuation, expansion, and improvement of TEFAP. The recommendations I will make are grounded in eight years of experience in providing donated food to needy families. That experience has convinced me that there are hungry people in Iowa and that for all too many, TEFAP is vital to their nutritional well-being.

If nothing else the TEFAP program has clearly demonstrated that there is hunger in America; hunger that is not being adequately addressed by other long standing assistance programs. Before USDA imposed limits upon the amount of food made available for TEFAP, the Iowa program in 1983 distributed 16 million pounds of food to an estimated 414,000 needy persons. Although the Institute for Research on Poverty currently estimates that 500,000 Iowans are living on poverty level incomes; and although Iowa's poverty rate over the past six years has grown from 7.9 to 18 percent, the number we are able to serve at the current food and funding level has shrunk to 225,000 persons. In 1986 Iowa distributed 15.8 million pounds; in 1987 12.8 million; in 1988 12 million; and if Congress does not direct otherwise, TEFAP food allocated to Iowa for 1989 is projected to force a devastating 50% cutback to less than 6 million pounds.

Iowa is representative of the nation. Hunger and nutrition problems are on the rise in America. According to a U.S. Conference of Mayors Study, the number of homeless individuals increased by 20% last year. "Nutrition Week" in its January 1988 issue indicates that poor nutrition is one reason the U.S. infant mortality rate is twice that of other industrialized nations such as Japan. Iowa's 620 distribution sites are part of a national system of 25 thousand primary and local feeding organizations now providing TEFAP commodities to 34 million hungry Americans. Substantial numbers of these persons dependent upon TEFAP foods are children in low income single parent families, elderly on fixed incomes, and persons living in rural communities bypassed by economic recovery.

If you are convinced that hunger exists at a level which is unacceptable in the wealthiest nation in the world, the next question becomes, "Is TEFAP an effective and efficient means of providing nutritional assistance to hungry persons?" TEFAP is in fact the most cost effective food assistance program which utilizes donated foods. According to the USDA's own "Study of the State Commodity Distribution Systems" state costs (at 3.5 cents per pound) are the lowest of all domestic distribution programs. TEFAP is the only program which provides food directly to needy households and in Iowa, at least, is one of the most broadly based -- reaching into every corner of the state. Iowa's program is efficient because it relies upon a vast army of local volunteers to man the distribution sites. In past years local volunteers have contributed over 200,000 hours of their time to make the program successful.

The need is great and growing and TEFAP is an effective, efficient means of addressing that need. TEFAP is certainly not an alternative to or replacement for the food stamp program, WIC, or other donated foods programs such as School Nutrition, the Nutrition Program for the Elderly and the Charitable Institution Program. But it is an essential "gap filler" on which may disadvantaged have come to depend to feed themselves at month's end when all other resources are exhausted. It is one of the few sources of food available to the transient homeless and can serve as a supplemental source of emergency food in areas hit hard by layoffs and plant closings.

TEFAP has earned the right to be elevated to the rank of permanent domestic food assistance program. It should no longer be considered temporary nor emergency, but rather a permanent part of the Federal government's effort to eliminate hunger in America. While the program has proven to be very popular and a cost effective means of reaching the nation's needy with food assistance, it has been plagued by an uncertain future and wide swings in food allocation levels. These conditions, which make the maintenance of a volunteer based system very challenging, stem directly from the view of the program as only a temporary adjunct to the agricultural price support and market stabilization machinery.

Specifically, it is recommended that Congress establish minimum annual allocations of basic commodities for the program and that these minimum allocations have priority over foreign distributions and sales. Further, it is recommended that USDA be given money for and directed to purchase sufficient high protein, home usable food quantities to fulfil the minimum level regardless of market conditions. In addition, surpluses generated by price support and surplus removal mechanisms which are offered as "bonus" items to other domestic distribution programs should also be offered to this program.

To improve the efficiency and equity of operations among the states, it is recommended that Congress:

1) Direct USDA to establish a formula for allocating foods among the states based upon the number of needy persons the state has chosen to serve as determined by the income eligibility standard each state has adopted.

2) Direct USDA to establish a formula for apportioning funds to pay for in-state storage and distribution expenses based upon the quantity of food each actually accepts for distribution. Under the present formula it is possible for a state to support an administratively top heavy, inefficient system which is less than fully effective in addressing the nutritional needs of the poor. A state which restricts the flow of food (with a low income standard and infrequent distributions) incurs no funding penalty. With a formula providing that the funds follow the food on a per pound basis, states which distribute the most food would get the most money. Performance and efficiency would be encouraged. States would receive funds for actually "serving" rather than simply "having" needy persons within their borders.

3) Direct USDA to eliminate unemployment figures as a basis for allocating food and funds among the states or, in the alternative, permit states to provide food assistance to households headed by unemployed persons. It has been Iowa's experience that USDA will not permit food to be distributed to the unemployed unless the income standard is also satisfied. Although food is allocated in part based upon unemployment figures, this condition in and of itself can not be used to determine eligibility. This restriction makes it difficult to target emergency food assistance to families hard hit (but not yet impoverished) by a massive layoff or plant closing.

It goes without saying that the current level of food and money to pay for its distribution are grossly inadequate. Nevertheless, I feel compelled to state clearly for the record of this hearing that the level of food released by the Secretary and the level of funding appropriated by Congress to help pay the costs of state and local distribution efforts are insufficient to address the nutritional needs of Iowa's and the nation's poor and unemployed. USDA must begin to view the program as vital to the nutritional well-being of the country's less fortunate citizens. It can no longer be the stepchild of the price support system; we recommend that USDA develop ways of dealing with commodity price issues, market displacement, and surplus storage management which do not keep food from hungry people. We urge Congress to find a way to increase from $50 million the funds appropriated to states for distribution expenses.

Thank you again for this opportunity to express my thoughts and the recommendations of my state for improvement of this vital program. I will try to answer any questions you or the members of the Subcommittees may have.

Attachments follow:

PATRICK J. LEAHY, VERMONT, CHAIRMAN
JOHN MELCHER, MONTANA
DAVID H. PRYOR, ARKANSAS
DAVID L. BOREN, OKLAHOMA
HOWELL HEFLIN, ALABAMA
TOM HARKIN, IOWA
KENT CONRAD, NORTH DAKOTA
WYCHE FOWLER, JR., GEORGIA
THOMAS A. DASCHLE, SOUTH DAKOTA
JOHN B. BREAUX, LOUISIANA
RICHARD G. LUGAR, INDIANA
ROBERT DOLE, KANSAS
JESSE HELMS, NORTH CAROLINA
THAD COCHRAN, MISSISSIPPI
RUDY BOSCHWITZ, MINNESOTA
MITCH McCONNELL, KENTUCKY
CHRISTOPHER S. "KIT" BOND, MISSOURI
PETE WILSON, CALIFORNIA
DAVID K. KARNES, NEBRASKA

United States Senate
COMMITTEE ON
AGRICULTURE, NUTRITION, AND FORESTRY
WASHINGTON, DC 20510-6000

June 21, 1988

Mr. William A. Armstrong
Director
Commodity Distribution Programs
Dept. of Human Services
State of Iowa
Hoover State Office Building
Des Moines, Iowa 50319

Dear Mr. Armstrong:

I appreciate your testifying before the Committee on May 10, 1988. Enclosed are additional questions which are being submitted to you for written answers. I would appreciate receiving your answers to the questions by July 12, 1988 so that the hearing record may be printed as soon as possible.

Thank you for your cooperation.

Sincerely,

Tom Harkin

TOM HARKIN
Chairman
Subcommittee on Nutrition
and Investigations

QUESTIONS FOR . , BILL ARMSTRONG (IOWA).

1. For years, the President's proposed budget has not provided any Federal funds to help defray state and local costs in handling, transporting and storing TEFAP commodities. Congress has provided $50 million/year for use by all the states. How important is it that your state receive this funding?

2. What types of persons apply for TEFAP in your state?

3. What percentage of the households on food stamps also apply for TEFAP food packages?

4. How long will your supplies of TEFAP cheese last now that USDA has issued its last cheese shipment? How many months worth of rice to you still have?

5. Is there poverty based hunger in your state? What percentage of the persons who wait in TEFAP lines do you believe are really needy and hungry?

6. Should the TEFAP program also distribute to states a greater variety of high protein foods such as peanut butter and canned tuna fish or other meats?

7. In your state, do you see alot of needy children who use the TEFAP program? Do you see alot of elderly who use the TEFAP program?

8. Millions of Americans, up to 15 million per month, apply for TEFAP commodities. Millions of them do not even apply for food stamps. Why?

Questions for William Armstrong

1. In your prepared testimony you state that TEFAP should no longer be considered a temporary or emergency program. Can you tell us based on your experience a bit more about why you hold this view and about the role that TEFAP has served in Iowa?

Are people more likely to receive assistance through TEFAP than through other programs that may be available to them? Why is this?

2.a. Can you tell us more about the participation of volunteers in TEFAP distribution in Iowa?

b. Aside from saving government funds, have you observed other benefits from volunteer involvement in this distribution?

c. How will these volunteer programs and efforts be affected by reductions in TEFAP commodities?

d. What is your prediction of the extent to which private donations will fulfill any of the needs met by TEFAP if these commodities are no longer available?

3. Can you estimate the number of people in Iowa who are in need but not helped under current levels of funding and commodity supplies under TEFAP?

How much additional commodities and funding would be required to help those not now being helped?

4. What can you tell us about the effectiveness of TEFAP in reaching people in rural areas in your state?

What problems in this regard have you encountered and how have you dealt with them?

How could the program be improved to reach more rural people?

STATE OF IOWA

TERRY E. BRANSTAD, GOVERNOR

DEPARTMENT OF HUMAN SERVICES

NANCY A. NORMAN, COMMISSIONER

July 8, 1988

The Honorable Tom Harkin
United States Senator
317 Senate Hart Office Bldg.
Washington D.C. 20510-1502

Dear Senator Harkin:

I very much appreciate your continued support and interest in improving efforts to provide nutrition assistance to needy Iowans. I hope these answers to your June 21, 1988 follow up to my May 10 testimony before your Nutrition and Investigations Subcommittee will be helpful. The questions, transmitted in two lists attached to your letter, have been consolidated into a single list and renumbered:

1. For years, the proposed budget has not provided any funds to help defray state and local costs in handling, transporting and storing TEFAP commodities. Congress has provided $50 million per year for use by all the states. How important is it that your state receive this funding?

The TEFAP program in Iowa could not continue to function without federal funding to provide statewide transportation and temporary storage for the 12 to 16 million pounds of food products annually distributed. Without federal financial support the job simply can not be done.

It would be difficult for the State to provide more funding to pay storage and transportation expense to carry out the program. The current drought's implications are not yet upon us, but I am concerned that the need for food assistance will increase in Iowa at a time when supplies of surplus food in storage are at a low ebb and the state's ability to finance distributions will be greatly diminished.

2. What types of persons apply for TEFAP in your state?

Our distribution site managers estimate that approximately 50% of program participants are low income elderly persons; 45% are low income persons in households with children; and the remaining 5% are unemployed single adults.

3. What percentage of the households on food stamps also apply for TEFAP food packages?

While we do not gather statistics in this regard we estimate that approximately 90% of the food stamp participants also regularly rely upon this program. Site managers report overhearing many recipients statements indicating that their food stamps were used up for the month and that the TEFAP foods would help bridge the gap until they could get more food stamps.

4. How long will your supplies of TEFAP cheese last now that USDA has issued its last cheese shipment? How many months worth of rice do you still have?

The last statewide distribution of cheese took place in May 1988. We have approximately 94 thousand pounds remaining in storage which is scheduled for the August distribution in the Sioux City area.

We estimate that the current inventory of 777 thousand pounds of rice will be exhausted with the October 1988 distribution.

5. Is there poverty based hunger in your state? What percentage of the persons who wait in TEFAP lines do you believe are really needy and hungry?

From interviews with recipients at distribution sites, it is evident that the majority are elderly living in single or two person households surviving on limited poverty level fixed incomes. A significant number of recipients live in single parent households which receive or are eligible to receive other forms of public assistance. Although there are abuses, I believe that 95 to 99 percent of those persons who brave the elements and inconvenience to obtain ten to twenty pounds of food are truly needy.

6. Should the TEFAP program also distribute to states a greater variety of high protein foods such as peanut butter and canned tuna fish or other meats?

Obviously, all needy families receiving food under the TEFAP program would benefit from an expansion to include the distribution of high protein foods. This is especially true for the elderly and families with small children.

We in Iowa strongly support efforts to expand the variety and to improve the nutritional content of TEFAP foods.

7. In your state, do you see a lot of needy children who use the TEFAP program? Do you see a lot of elderly who use the program?

We estimate that approximately 50% of TEFAP clients are elderly and 45% are made up of families with children. We estimate that approximately 122,000 children currently benefit from the program.

8. Millions of Americans, up to 15 million per month apply for TEFAP commodities. Millions of them do not even apply for food stamps. Why?

There are a variety of reasons why many TEFAP recipients do not apply for food stamps:

- TEFAP income guidelines are generally more liberal and significantly less complex;
- The application and receipt of assistance is a one stop operation with TEFAP, while the food stamp application may require several office visits and detailed documentation with no assurance of eligibility or immediate assistance;
- The TEFAP is a familiar environment. Food is distributed by volunteers (often recipients themselves);
- TEFAP recipients are not criticized by general public;
- Utilization of food stamps at the grocery counter is often scornfully scrutinized by fellow shoppers not sympathetic with an individual's situation; and
- American pride in being self sufficient makes many, especially elderly reluctant to apply for food stamps. This is especially true in rural areas where ones use of food stamps is more conspicuous.

9. In your prepared testimony, you state that TEFAP should no longer be considered a temporary or emergency program. Can you tell us, based upon your experience, a bit more about why you hold this view and about the role that TEFAP has served in Iowa.
Are people more likely to receive assistance through TEFAP than through other programs that may be available to them? Why is this?

In Iowa the TEFAP Program has provided over 85 million pounds of commodities to needy persons. The program is broadly accepted and locally supported as evidenced by the vast army of volunteers who regularly operate distribution sites in every corner of the state. The program is correctly perceived as a cost effective means of providing supplemental food assistance to the needy.

The TEFAP Program fills a void in that it provides assistance to families who are borderline in the sense they may not meet all eligibility criteria of other programs, but are still at or near poverty level incomes and in need of assistance. It also provides assistance to elderly shut-ins through a volunteer delivery system. Further, it provides short term assistance to unemployed individuals needing help until they can find work. TEFAP does not compete with or replace other programs. Rather, it complements and supplements, helping to fill that end-of-the-month hunger gap between successive food stamp issuances, unemployment checks, and social security.

The TEFAP Program offers assistance with a minimal amount of paperwork and provides that assistance without delay. In addition, income guidelines are generally more liberal than other established programs. Application at the distribution site is less threatening or emoticnal and results attained immediately. Participation in the TEFAP program sparks less criticism by local citizens and does not seem to have the stigma attached to it as does the Food Stamp Program.

The bottom line is that the TEFAP Program through extensive use of volunteers has proven to be a most cost efficient way to provide supplemental food assistance to needy families and individuals.

People continue to need help regardless of the state of the surplus removal and price support systems. Nor can an effective program which reaches millions of people be abandoned. TEFAP is the gap filler both for persons just beyond the food stamp eligibility limits and for those who do qualify but find that allotments are inadequate.

10.a. Can you tell us more about the participation of volunteers in TEFAP distribution in Iowa?

Volunteer participation varies throughout the state but is generally made up of elderly persons with a commitment to helping others. Many volunteers are eligible to receive TEFAP commodities themselves and take pride in making the program work.

Usually the volunteer force is organized by local community action agencies, unions, church groups, or county or state Human Services offices.

During the peak distribution period in 1983, Iowa volunteers donated 259,300 hours of their time valued (at minimum wage) at $868,800. Currently with the reduction of products available for distribution, volunteers are donating 12,000 hours per month valued at $40,200 per month.

10.b. Aside from saving government funds, have you observed other benefits from volunteer involvement in this distribution?

The use of volunteers provide an excellent link among the program, the community, and the people served. Their knowledge of local conditions deter fraud and abuse and increases the effectiveness of outreach efforts. Use of volunteers builds community awareness which often translates into a commitment to the local operation's success. Recipient volunteers can maintain a feeling of self-sufficiency and dignity by, in a sense, working off their perceived obligation. There is an increased awareness of general public and government officials of the value and importance of volunteer services as a resource.

10.c. How will these volunteer programs and efforts be affected by reductions in TEFAP commodities?

Since many of the volunteers are program recipients themselves, it is likely that further reductions of commodities will lessen their enthusiasm for the program. Sporadic distributions due to short supplies will do its part in furthering the decline of volunteer services as they make other commitments for their free time.

10.d. What is your prediction of the extent to which private donations will fulfill any of the needs met by TEFAP if these commodities are no longer available?

Here in Iowa food banks and food pantries have until recently relied heavily on TEFAP products to supplement private donations. All food assistance programs public and private are straining to meet the needs of hungry people. The elimination of any part of the system detracts from that effort.

11. Can you estimate the number of people in Iowa who are in need but not helped under current levels of funding and commodity supplies under TEFAP?
How much additional commodities and funding would be required to help those not now being helped?

It is difficult to determine how many Iowans are in need of assistance. However, we know that fairly recent studies by the "Institute for Research on Poverty" states that 500,000 Iowans were living on poverty level incomes in 1985. In addition we know from that same study that the poverty rate reached 18% in 1985.

Unemployment statistics are misleading in that there is no consideration given to the income provided nor the number of persons to be supported with that income.

Based on peak levels of distribution compared with the current reduced level, there may be as many as 100,000 Iowans not being served, due to reductions in product quantity and number of products available on a regular basis.

Our needs could be fully met if we were to return distribution levels of 1983. Distribution could be accomplished at a cost of 4.5 cents per pound (16 million pounds) or $720,000 annually. Iowa would require $280,000 additional in funding the carry out a complete distribution effort.

12. What can you tell us about the effectiveness of TEFAP in reaching people in rural areas of the state?
What problems in this regard have you encountered and how have you dealt with them?
How can the program be improved to reach more rural people?

We believe Iowa's distribution network of 676 distribution sites throughout the state is doing an excellent job in reaching small rural Iowa communities. The number of sites vary from county to county depending upon the density of population centers. There is somewhat of a problem in reaching elderly shut-ins. However, through the use of a proxy application document and volunteer delivery system, this problem has generally been eliminated. Also, participants may need to drive more miles than we would prefer. However, increasing the number of drops and mileage would further increase costs.

Thank you again for your support of this vital, effective, and somewhat unique program. Again, I appreciate the opportunity to provide information which may be useful as you deliberate the future of TEFAP.

Sincerely,

William A. Armstrong, Chief
Support Services Bureau
Iowa Department of Human Services

RICHARD J. VARN
STATE SENATOR
District Twenty-seven

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The Senate
STATE OF IOWA
Seventy-Second General Assembly
STATE HOUSE
Capitol
Des Moines, Iowa 50319

COMMITTEES

Appropriations Subcommittee on Education, *Chair*
Appropriations
Education
Environment and Energy
Utilities
Judiciary

February 24, 1988

The Honorable Tom Harkin
317 Hart Senate Office Building
Washington, DC 20510

Dear Senator Harkin,

We are interested in encouraging and promoting farmer's markets in Iowa. In the past, school food programs have been able to buy products from local producers. However, they are currently unable to due to United States Department of Agriculture's overly strict regulations on school food suppliers. We would like to see a pilot program developed leading to a permanent change in the law that would exempt state sanctioned farmer's market vendors from the United State Department of Agriculture's regulations and to allow them to supply food to schools. We will encourage the state Department of Education to contact the United States Department of Agriculture and seek a waiver or change in the rules.

We feel that this program would be beneficial to both the farmer's market effort and to the schools. We would greatly appreciate your help on this program.

Please contact us so that we can discuss this program and answer any questions you might have. We may be reached at:
Senate, State Capitol, Des Moines, IA 50319
Phone 515/281-3371

Sincerely,

Richard J. Varn
State Senator
District 27

James Riordan
State Senator
District 45

cc: Iowa Department of Education

SENATE DISTRICT 27
Hancock County, Iowa; Counties and part of Johnson County

NOT MAILED AT STATE EXPENSE

Iowa Department of Agriculture
and Land Stewardship

DALE M. COCHRAN
SECRETARY OF AGRICULTURE

SHIRLEY DANSKIN-WHITE
DEPUTY SECRETARY OF AGRICULTURE

HENRY A. WALLACE BUILDING
DES MOINES, IOWA 50319

March 11, 1988

Bob Andros
Senator Tom Harkin's Office
316 Hart Building
Washington, D.C. 20510

Dear Bob;

In rereading the Senate and House bills for establishing farmers market coupon demonstration programs in various states, it is felt that Leland's bill is far superior to the Senate version. The following are the only recommended modifications with respect to H.R. 3879.

a) Incorporate the words "local grown" (page 2, line 10).

b) Change the "may" to a "shall" (page 2, line 18). In the past there have been situations where USDA was reluctant to release program funds without additional encouragement from congressmen;

c) Delete the phrase "only foods produced by such producer" (page 6, line 10). Much of the product sold at Iowa's farmers market is indeed local grown, but it is many times not sold by the producer. From public meetings held around the state and through our other program activities, it is known that many producers are not good at nor do not choose to market their own product. Plus there are many who do not have the means or desire to grow the variety of product it takes to develop a good product display at the market, therefore they purchase their neighbors products to supplement their own supplies.

d) Change the "3 States" to "4 States" (page 6, line 24). If states with existing programs are going to be targeted for automatic participation why leave one out. Could such a bill not also be sponsored by one of our Congressmen so it is not just the other 3 states with active programs who are sponsoring the legislation...otherwise it would be a good bet that Iowa will not be one of the three.

e) Delete "(C) the types of foods purchased with the coupons" (page 8, line 2). If the premise of the the program is to provide fresh more nutritious local grown product and that WIC recipients currently are not provide with fresh fruits and vegetables, then to allow product other than those does

not seem appro priate. And, if addressing this issue requires the state to summarize the specific items purchased with each coupon, it is almost impossible to track. Masseschuttes found this out when they tried to have vendors list out items purchased on the back of every coupon in 1986.

Iowa is unique, as compared to the other 3 states with farmers market coupon programs. Our orientation and approach for this program is aimed to: 1) maintain accountability of coupons; 2) integration of the program into existing state programs and systems; 3) provide recipients the opportunity and incentive to utilize farmers markets throughout the market season; and 4) to gradually increase the program in order to measure the implications and feasibility of a statewide program, identifying issues where modification is needed. Overall, I would say that Iowa's approach outshines others if the intent is toward developing a long-term program.

In our phone conversation you suggested that Senator Harkin might be interested in a different approach that would provide a $100,000 appropriation for Iowa and which would not require authorizing legislation. From our perspective we strongly urge the Senator to pursue that avenue for funds to be made available for the 1988 farmers market season. However, we would still like to see Senator Harkin sponsor a bill that would provide the level of federal funding outlined in the Leland bill, with the 3 year committment. Then the demonstration projects would really provide the evidence as to the feasibility for such a pursuit.

Currently it is proposed to increase the Iowa legislative appropriation from last year's $15,000 to $100,000 for the 1988 farmers market season. To date the program is receiving support by most Iowa Legislators, Governor Branstad and Secretary Cochran. Plus, we have receive great cooperation from the State Treasurer's Office, Auditor's Office, Department of Revenue & Finance, and the Iowa Department of Public Health.

I have attached a copy of Leland's bill (H.R.3879) for your convenience, plus comments on Kerry's bill (S.2043). If you would like any additional input or clarification as to what is planned in Iowa, do not hesitate in contacting me, (515) 281-5402.

Sincerely,

Camille A. Valley
Agricultural Diversification
Administrator

Enclosures

CAV/me

THE FOLLOWING ARE COMMENTS WITH RESPECT TO THE KERRY BILL (S. 2043):

a) Once again changing the "may" to "shall" (page 1, line 7).

b) Change the phrase "inexpensive fresh produce" to "fresher local grown produce" (page 2, lines 6-7). We disagree that farmers should sell at below market prices. Farmers markets provide growers the opportunity to develop marketing skills that in the past have not been required. A major part of that experience we contend is to learn the value of their product in the marketplace and what influences they have over the prices received in a relatively free market system...as opposed to marketing corn and soybeans.

c) Obviously we prefer the 70% Federal share as outlined in the House Bill as opposed to "65 percent" in the Senate version (page 2, line 9).

d) Page 2, lines 10-15 does not seem clear whether it is a 3 year programs for 7 states or the inital 7 are dropped after the first year and a different 7 are selected each year thereafter. If the latter is the case, it would seem that a 3 year demonstration program would provide a more thorough look into the feasibility of such a program.

e) Delete "and a maximum of $20" (page 2, lines 20-21). The House version left flexibility by merely limiting the value of the Federal share of the benefit received per recipient (H.R. 3879, page 4, lines 22-25). In Iowa, our plans are to distribute coupons on a monthly basis for 3 months, in order to measure the repeat usage by recipients of such coupons. The Senate version would not allow this option.

f) Delete lines 6-9 and lines 19-22 page 3. To really measure the effects of the demonstration project it is important to maintain a well defined and realistic population to target. Requiring the involvement of 25 percent of all those who are recipients under both of these programs does not appear realistic. And, it would also complicate and enlarge the distribution system necessary to make the program work effectively.

g) Delete "(4) target the issuance of coupons to areas with the highest concentration of eligible persons;" (page 3, lines 10-11). In the past the number of recipients to be served to the number of dollars available for coupons was the major factor in selecting the targeted demonstration area. Inclusion of this requirement could eliminate a state from participation in the program. Basically the requirements of serving 25 percent of recipients, and $10 minimum per recipient fairly well defines which areas of a state can be included.

h) Delete the word "greatest" (page 3, line 13)...as compared to

what? Access should be required but isn't "greatest" rather subjective?

(i) Once again change "three of the States selected" to "four of the States selected" (page 3, line 25)

(j) Replace "may be used at farmers markets to purchase commodities or the products thereof," with "may be used to purchase fresh fruits and vegetables only at farmers markets," (page 4, lines 4-5). Existing terminology sounds as though there are other places where coupons may be used, and the definition of eligible purchases is too broad allowing for deviation from the intent of the program.

(k) Delete Sec. 2, (i)(2)(A)&(B)...(page 5, lines 11-17). There does not appear any benefit or rationale with either of these phrases, and they are somewhat contradictory with other outlined requirements--i.e., target at least 25 percent of current W.I.C. Plus, Iowa's population would fall under this category, but $75,000 would not provide sufficient funds for involving the required percent of recipients.

(l) Delete Sec. 4.(1)(A)...(Page 8, lines 10-13). For same reasons previously stated.

(m) Replace "food from a farmer or at a stand or area set up for such farmers," with "local grown produce in a public market set up for farmers." (page 8, lines 16-17). Otherwise it appears as though it would also include on-farm markets and roadside stands. Both of which would be very difficult for maintaining compliance with program intent as well as monitoring program progress.

100th Congress
2D Session

S.

IN THE SENATE OF THE UNITED STATES

Mr. Harkin introduces the following bill; which was read twice and referred to the Committee on _____.

A BILL

To amend the Child Nutrition Act of 1966 to authorize the establishment of a demonstration project to provide coupons to recipients of assistance under the special supplemental food program for women, infants, and children for use at farmers markets.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the "Farmers Market Nutrition Enhancement Act".

SEC. 2. PURPOSE.

The purpose of this act is to authorize the establishment of a grant program to encourage the establishment of State demonstration projects designed to--

(1) provide resources to persons who are nutritionally at risk in the form of fresh nutritious local grown fruits and vegetables from farmers markets; and

(2) expand the awareness of and use of farmers markets, resulting in an increase in sales at such markets.

SEC. 3. PROGRAM AUTHORIZED.

Section 17 of the Child Nutrition Act of 1966 (42 U.S.C. 1786) is amended by adding at the end the following new subsection:

"(m) (1) The Secretary of Agriculture shall award a 3-year grant to each of 7 States for the establishment of a demonstration project designed to provide recipients of assistance under subsection (c) with additional coupons which may be exchanged for foods at farmers markets.

"(2) a grant provided to any State under this subsection shall be provided to the Governor, who shall--

"(A) designate the appropriate State agency that is responsible

for farmers market development to administer the program in conjunction with the appropriate non-profit organizations; and

"(B) assure coordination of the program among the appropriate agencies and organizations.

"(3) The Secretary may not make a grant to any State under this subsection unless such State agrees to provide for the project to be assisted under the grant an amount from State funds that is equal to not less than 30 percent of the cost of the program.

"(4)(A) The Secretary shall establish a formula for determining the amount of the grant to be awarded under this subsection to each State for which an application is approved under paragraph (6), according to the number of proposed recipients specified in the State's application.

"(B) Except as provided in subparagraph (C), no grant may be awarded under this subsection for less than $75,000 or more than $700,000.

"(C) For any fiscal year to which subparagraph (C) applies, each State shall rateably reduce the number of recipients served under the grant.

"(5) Each State that receives a grant under this subsection shall ensure that the demonstration project for which the grant is received complies with the following requirements:

"(A) Persons who are eligible to receive benefits

under the project shall only be persons who are receiving assistance under subsection (c).

"(B) Construction or operation of a farmers market may not be carried out with the use of funds--

"(i) provided under the grant; or

"(ii) required to be provided by the State under paragraph (3).

"(C) Except as provided in paragraph (4) (D), recipients of benefits under the project shall include not less than 25 percent of persons who--

"(i) receive assistance under subsection (c); and

"(ii) live in the State or the area designated to be served by the project, as appropriate

"(D) The value of the Federal share of the benefit received by any recipient under the project may not be--

"(i) less than $10 per year; or

"(ii) more than $20 per year.

"(E) The coupon redemption process under the project shall be designed to ensure that coupons may be redeemed--

"(i) only by producers authorized by the State to participate in the project; and

"(ii) only to purchase unprepared fresh fruits and vegetables for human consumption.

"(F)(i) Except as provided in clause (ii), the State may not use for administration of the project for any fiscal year more than 10 percent of funds provided to the project from any federal source in such fiscal year.

"(ii) In the case of a project that is in its first year of operation, the State may use for administration of the project for the first fiscal year not more than 15 percent of funds provided to the project from any federal source in such fiscal year.

"(G) The State shall ensure that no State or local taxes are collected within the State on purchases of food with coupons distributed under the project.

"(6)(A) A State that desires to receive a grant under this subsection shall submit an application to the Secretary at such time and in such manner as the Secretary may reasonably require.

"(B)(I) Each application submitted under this paragraph shall contain--

"(I) the estimated cost of the program;

"(II) a description of the State plan for complying with the requirements established in paragraph (5); and

"(III) criteria developed by the State with respect to authorization of producers to participate in the program.

"(ii) The criteria developed by the State as required by

clause (i)(III) shall require any authorized producer to sell to recipients, in exchange for coupons distributed under the project.

"(C) The Secretary shall establish objective criteria for approval of applications submitted under this paragraph.

"(D) In approving applications submitted under this paragraph, the Secretary shall--

"(i) give preference to applications that propose projects that are determined by the Secretary to--

"(I) have possible national significance; or

"(II) show unusual promise in promoting similar projects;

"(ii) give preference to applications that provide for statewide participation of all W.I.C. recipients in the pilot project;

"(iii) of the 7 grants required to be provided under this subsection, provide grants to not less than 4 States in which a project that provides coupons to certain groups of needy individuals for use at farmers markets exists on the date of the enactment of this subsection; and

"(7)(A) The value of the benefit received by any recipient under any project for which a grant is received under this subsection may not be included as income in determining the eligibility of such recipient for assistance

under any other State or Federal program.

"(B) Any projects for which a grant is received under this subsection shall be supplementary to the food stamp program carried out under the Food Stamp Act of 1977 (7 U.S.C. 2011 et seq.) and to any other Federal or State program under which foods are distributed to needy families in lieu of food stamps.

"(8) Each State that receives a grant under this subsection shall submit a report to the Secretary for each year of the grant period. Each such report shall include--

"(A) the number of recipients served under the project for which the grant is received;

"(B) the rate of redemption of coupons distributed under the project;

"(C) the average amount distributed in coupons to each recipient;

"(D) any change in the amount of food purchased at farmers markets after the establishment of the project;

"(E) any change in the number of farmers participating in farmers markets after the establishment of the project; and

"(F) any other information determined to be necessary by the Secretary.

"(9)(A) The Secretary shall evaluate the projects for which grants are received under this subsection and submit to

Congress a report on such evaluations.

B) Such report shall be submitted before the end of the 2-year period beginning on the date that the last grant is awarded under this subsection.

"(10) There are authorized to be appropriated to carry out this subsection $3,500,000 for each of the fiscal years 1989, 1990, and 1991.

"(11) For purposes of this subsection:

"(A) The term 'recipient' means a person who is chosen by a State to receive benefits under a project.

"(B) The term 'State agency' has the meaning provided in subsection (b)(13), except that such term also includes the agriculture department of each State.".

Senator MELCHER. Is that all, Bill?

Mr. ARMSTRONG. That concludes my remarks. I would be happy to answer any questions you might have.

Senator MELCHER. You said 34 million people participated.

Mr. ARMSTRONG. Yes. I noted that Mr. Bode said 15 million. Most of the national figures that we use are either from the USDA system or from private, nonprofit advocacy groups, and that is where the 34 million recipient figure came from.

Senator MELCHER. Jim, we have 800,000 people in Montana. Your testimony is to the effect that 67,000 used TEFAP?

Mr. NOLAN. On an average, 66,000 were served last year, Senator, but our average is already dropping because of the——

Senator MELCHER. That is households, though, is it not?

Mr. NOLAN. No; that is individuals.

Senator MELCHER. That is individuals?

Mr. NOLAN. I realize my prepared statement said households, but that is not correct.

Senator MELCHER. That is about 8 percent, 8 to 9 percent of our population, then. We are sure going to try to continue this program. We are going to do everything we can.

Senator Harkin.

Senator HARKIN. Bill, tell me a little bit more, for the record, about how you utilize volunteers in Iowa.

Mr. ARMSTRONG. Our system at the local level is essentially all volunteer.

Senator HARKIN. I want to see if you do the same thing in Montana, too.

Mr. ARMSTRONG. It sounds very similar and I think that is pretty representative of how most States do it. There is not sufficient money provided to administer the program to do it any other way. That is how it began and that is how it has continued, and in years past we have had as many as 200,000-volunteer hours donated to make the program work and it is just anyone and everyone—churches, unions, community action agencies, the food bank-food pantry system.

There are all kinds of organizations that are involved in this distribution at the local level, and that is why it has been so difficult to keep this program going, because those people do not have to do this. They do it out of the kindness of their heart. There is a lot of social action involved in it.

But if the truck is not there, if the food quantities are not there on time in the right amounts, and so on, these people can get very frustrated very quickly. So most all of our administrative effort revolves around making sure that our volunteer system, our volunteer people are happy and that we serve them so that they can serve the needy people.

With the vast swings in the availability of food and the short notice we often get from USDA on changes in the program, it has been very difficult to maintain that volunteer network.

If we are faced with this kind of a cutback, we are going to have a very difficult time maintaining any kind of a distribution network and with these kinds of changes, it is going to be very difficult to keep the program going.

Senator HARKIN. Mr. Nolan, you talked about the budget not providing any Federal funds to defray the State and local costs in handling, transporting, and storing the commodities.

How do you handle transportation and distribution in Montana? I mean, it comes into a central place, right?

Mr. NOLAN. It comes into Helena and then we ship it.

Senator HARKIN. And then you have to get it clear around the State?

Mr. NOLAN. Yes.

Senator HARKIN. How do you do that? How do you get it out?

Mr. NOLAN. We have State trucks and what we do is ship to the primary site in each area, unless a subsite is actually on the way; then we will have a dropoff there. But we will ship to the primary site, then the HRDC is responsible for taking it from their primary site to their subsites in their district, and that is when they use their other resources.

Senator HARKIN. Yes. You use State trucks, you say, to get it out to the primary sites?

Mr. NOLAN. Right.

Senator HARKIN. How do you do it in Iowa? What do you use in Iowa to get that out?

Mr. ARMSTRONG. Well, we do not have a State system. We annually contract with a local warehouse and trucking company in Waterloo and all of our foods are ordered into that warehouse and then we operate on regular monthly distribution schedules.

We tried to do it initially with USDA delivering direct to the distribution points, but they give themselves basically a 15-day window to hit and you cannot just call up the people in the middle of the night and tell them the truck is going to be there the next morning. The truck has to be there within the half hour before the distribution actually takes place.

Our system, I think, is very effective and also very efficient at the same time in meeting that half-hour window that we have to have to make it work.

Senator HARKIN. Now, the food comes into a central place, Waterloo.

Mr. ARMSTRONG. Right.

Senator HARKIN. How often does it go from Waterloo to the primary sites around the State?

Mr. ARMSTRONG. We are distributing on a bimonthly basis. We do one-half of the State one month and the other half of the State the next month. We hit the 620 sites on a regular route and the truck is out every day delivering——

Senator HARKIN. This is the private trucking company that you have contracted with to do that?

Mr. ARMSTRONG. Yes. It costs us between 3 and 4 cents a pound to warehouse it and deliver it once we get it into the State, and that is basically the national average, too. It is a very cheap way of getting food assistance to needy people.

Senator HARKIN. At one time I wondered about utilizing the National Guard to move this. They have a lot of trucks and they have a motor pool. They need training to drive trucks and to deliver things. I often wondered whether or not that might not be a——

Mr. ARMSTRONG. We have used them, but it has been on a basis where we need a large number of trucks on short notice and they will go and pick up something and bring it to the warehouse, but they are not structured to operate a regular, routine distribution route.

Senator HARKIN. That is true, they are not; that is exactly right, they are not.

Mr. ARMSTRONG. But we have used just about everything at one time or another.

Senator HARKIN. Have you ever used the National Guard in Montana?

Mr. NOLAN. We have tried. One of the problems is we have actually tried the Reserve more than the Guard and they work on weekends, usually.

Senator HARKIN. Yes.

Mr. NOLAN. Our people are there——

Senator HARKIN. During the week.

Mr. NOLAN [continuing]. During the week. It has not been satisfactory.

Senator HARKIN. Yes, that is a problem. It is a shame that we have all those trucks sitting there.

Senator MELCHER. Better utilization.

Senator HARKIN. Yes.

The only other thing I wanted to cover, basically, was the types of food that are given out on TEFAP. Do you distribute much in the States in terms of nonfat dry milk?

Mr. ARMSTRONG. All we can get.

Senator HARKIN. All you can get, and people like that?

Mr. ARMSTRONG. Yes.

Senator HARKIN. Do you distribute any dried eggs or powdered eggs?

Mr. ARMSTRONG. That has not been available for TEFAP. It is available through a number of the other domestic distribution programs, but I think that product would go well in TEFAP, also.

In fact, I think most States have distribution systems that can handle a much wider variety of foods than are now available.

Senator HARKIN. Not in Iowa, but here in the District I saw powdered eggs. I understand that biggest problem is getting people to understand how to use them. I mean, people normally don't think of eggs as being powdered. Eggs come in shells. But what is needed is a process of education.

I do not know under what program it was under. I thought it was TEFAP, but I could be wrong. I do not know what program that came under.

Mr. ARMSTRONG. I am going to be very upset if I find out that someone received eggs and we did not receive any.

Senator MELCHER. You did not receive any.

Senator HARKIN. I do not know what it came under. Maybe someone on the staff knows what program it was. If it came under another program, it was being used with the TEFAP commodities going out, the cheese and the other things that were going out, because I know there was also some rice, honey, and cornmeal.

Now, is that a TEFAP commodity?

Mr. ARMSTRONG. Yes.

Senator HARKIN. It is, OK. There was cornmeal going out, too, but I thought that would be a great commodity to put out, powdered eggs.

Mr. ARMSTRONG. That is one of the things that we have suggested that we would like, a number of these bonus items that are now available. For instance, I think figs, fig paste, cherries—last year all the bonus beef was available from the dairy buyout and we asked if we could distribute that through TEFAP and we were told no.

We receive fresh fruits, pears, those kinds of things, for the charitable institution program, not regularly, but often enough that it makes me wonder if those kinds of products could not also be offered to TEFAP.

Senator HARKIN. One last thing. If, in fact, we cut off the TEFAP Program, what would happen in Iowa or Montana? If you just said, there is no more cheese, no more nonfat dry milk? What would happen?

Mr. ARMSTRONG. You would probably get a lot of mail.

Senator HARKIN. Well, I do not know. A lot of times, the people who get these commodities are not the most prolific letter writers. Where would these people go for that supplemental food? Where would they go?

Mr. NOLAN. We are already seeing them go to the soup kitchens. In terms of demand, probably the other major program that we run in our bureaus that we get a lot of mail on is the fuel assistance, and we took a $2 million cut in fuel assistance last year and the mail and the phone calls that we and the Governor's office received over the reduction in TEFAP certainly matched that. It is amazing how many people depend on this program.

Mr. ARMSTRONG. We see people—when we were forced to cut back to bimonthly rather than every month distribution, the food bank-food pantry system was able to step in and pick up some of the slack, not all of it. They do not have as broad a coverage a system as we do, but in a number of the metropolitan areas in the State they have done yeoman's service in filling in the gaps that we are not able to, and that is why we are so interested in this demonstration project to help the food bank-food pantry system expand and distribute these donated foods, also. That may be the wave of the future.

Senator HARKIN. Should we be too concerned about the argument that by giving away all this cheese and foods, we cut into the marketplace? In other words, people then spend their money, whatever else they have available, not for cheese, but they buy other things and then they do not buy the cheese. Should we be concerned about that?

Mr. NOLAN. From what I have seen, if this program is not available, these people are not going to go into the Safeway stores and buy cheese or butter. I do not know that that would affect domestic consumption at all.

Mr. ARMSTRONG. We did a very cursory market survey several years ago when this market displacement issue was first raised and surveyed a number of supermarkets primarily in the Waterloo area and found that at the local level, at least, the commercial market

was not particularly concerned about the level of cheese being distributed.

In fact, we had as many people saying that anything you can do to increase cheese consumption would be beneficial. If these people develop a taste for Cheddar cheese, that eventually will pay off in the marketplace because most of these people are not on public assistance all their lives. They are on and off and if the system is working, eventually they are going to be productive citizens and if they have a taste for cheese, so much the better.

Senator HARKIN. Bill and Jim thank you very much. Thank you, Mr. Chairman.

Senator MELCHER. I would like to tell you of one instance in one of our communities when there was more cheese available than there is now. But at that time, one of the best supermarkets was a point of distribution for TEFAP and the manager did it that way because of the convenience for storage which he provided and the convenience of the recipients. Obviously what they received, the flour, the cheese, and the dry powdered milk, did not meet all their food needs. They received commodities and then purchased some other groceries. He found a good business. I do not know whether that happens very often, but it did happen in this one community for a period of time.

I would like to ask you the same question that I posed for Senator Harkin to Mr. Bode. How important is TEFAP relative to other nutrition programs? I know it is hard to compare one to the other, but nevertheless that is a significant question because we have to consider how much of one we do as compared to another. Can you each tell me how you rate it? Jim.

Mr. NOLAN. In terms of our caseload, Senator, and in terms of the total pounds distributed among all the six USDA programs, TEFAP is by far the largest program and has by far the most widespread acceptance.

In 1987, we figured we distributed almost 15 million pounds of food. TEFAP delivered about 7.5 of that. It is the program that most people receive help from and the program that I detect the greatest acceptance from on their part.

It is not a welfare program. It is supplementing their diets and there are no assets tests and there are no strict eligibility requirements, even though we have limited it to people below 150 percent. So in terms of workability and serving the people it is intended to serve, I would rank it number one.

Senator MELCHER. Bill.

Mr. ARMSTRONG. I would agree with everything that Jim said. I think that John Bode was correct in saying that this program is viewed differently and apart from welfare programs. It has just a different character. It does not have the stigma attached to it that a lot of welfare programs have.

I think it is an essential gap-filler. It cannot be considered in competition with the other food assistance programs or a program that can replace anything that is now in existence.

We hear many, many times from recipients coming into the sites that this is what gets them through the last few days of the month. The flour and cheese that they get really makes a difference, and I agree that it should be expanded and continued and made regu-

lar—made something that we can depend upon. We have to loosen it somewhat from the price support structure and give it a life of its own.

Senator MELCHER. There is too much uncertainty with it right now, is there not?

Mr. ARMSTRONG. Yes.

Senator MELCHER. I find that very disturbing because users do not know how much or what would be available.

I want to thank you both for coming here and testifying today. I also want to thank you for what each one of you does every day on your jobs. I think it is extremely important and I am very pleased that Montana has you, Jim, and Iowa has you, Bill.

Mr. NOLAN. Thank you, sir.

Mr. ARMSTRONG. Thank you very much.

Senator HARKIN. Thank you both.

[The material on tilting was subsequently received for the record.]

DEPARTMENT OF AGRICULTURE
OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20250

Dec. 15, 1988

Honorable Rudy Boschwitz
United States Senate
Washington, D.C. 20515

Dear Senator Boschwitz:

Assistant Secretary John Bode has asked me to follow up on the request you made during his testimony at a joint hearing before the Subcommittee on Agricultural Production and Stabilization of Prices and the Subcommittee on Nutrition and Investigations of the Senate Committee on Agriculture, Nutrition, and Forestry. The Office of General Counsel has been consulted concerning your question regarding "tilting" purchase prices for products purchased under the dairy price support program so as to provide a price advantage for one product over others and result in increased purchases of such product.

The General Counsel's office advises that the Secretary of Agriculture, through the Commodity Credit Corporation (CCC), is legally required to support the price of milk to producers at the statutory support level determined in accordance with section 201(d) of the Agricultural Act of 1949 (7 U.S.C. section 1446(d)) through the purchase of milk and the products of milk. Since the statute does not prescribe the products to be purchased, nor the manner, timing or pricing of such purchases, there is considerable latitude in fashioning a program that meets the statutory objective. Therefore, any program for the purchase of milk and milk products which would result in the price of milk being supported to producers at the statutory support level would be legally authorized, if the administrative cost thereof could be justified when compared to other methods of accomplishing the same result.

As you know, since the Agricultural Act of 1949 was enacted, the price of milk has been supported administratively by removing surplus milk from the market in the form of butter, nonfat dry milk (NDM) and cheese at announced purchase prices which have been calculated to enable processors to pay farmers the prevailing support price for milk. In this way CCC has allowed market forces to determine the quantities of each individual product offered to CCC under the price support program.

The only exceptions to this manner of calculating purchase prices were in the 1973-74 and 1976-77 marketing years when the purchase prices for cheese under the milk price support program were calculated in a manner to enable cheese plants to pay, respectively, 50 and 30 cents per hundredweight more for milk than butter/NDM plants could pay for milk in view of the price support purchase prices for butter/NDM.

The 1973-74 purchase price "tilt" to cheese resulted in a lawsuit filed by Land O'Lakes, Inc., on behalf of itself and its member producers, and three other plaintiffs. The suit alleged that the Secretary's action in announcing product purchase prices with a "tilt" to cheese was an unlawful action that discriminated against milk producers whose milk was processed into butter/NDM. The suit was still pending in the 1976-77 marketing year, but before the suit went to trial, the "tilt" in the purchase for cheese was dropped and the litigation was dismissed.

The milk price support program is intended to provide a floor for milk prices to all milk producers in the country. In order to do this, the price support purchases should be as "market neutral" as possible. We question whether the price support program should be used as an instrument to influence production trends of various manufactured dairy products. Also, we are concerned about the government creating an artificial demand that does not exist commercially.

It should be noted that the commercial demand for cheese has been increasing since the early 1970's resulting in more milk going to cheese plants and less to butter/NDM plants. This trend, coupled with a sharp decline in commercial use of some high butter-fat products last summer and fall, has resulted in the current higher levels of CCC purchases of butter as compared to cheese and NDM.

While it is true that the price support legislation is not specific as to how the price support purchases should be carried out in order to support the price of milk, we believe the manner in which the current program is being administered is the best way in which to accomplish this objective.

The dairy industry appears to be satisfied with the current program. It has recommended many times that the basic purchase program of the three products remain unchanged. The Department feels that this is sound, and we are reluctant to change the administration of a support program that we believe has worked well for nearly 40 years.

As always your interest in this important matter is appreciated.

Sincerely,

WILLIAM G. BAILEY
Deputy Under Secretary
International Affairs and
Commodity Programs

[Whereupon, at 12:12 p.m., the subcommittees were adjourned, subject to the call of the Chair.]